NEW ISSUE **RATING: S&P: A+**
Book-Entry-Only

(See "Rating" herein)

In the opinion of Baker & Daniels, Indianapolis, Indiana ("Bond Counsel"), under existing law, interest on the Series 2000A Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2000A Bonds. Such exclusion is conditioned on continuing compliance with the Tax Covenants (hereinafter defined). In the opinion of Bond Counsel, under existing law, interest on the Series 2000A Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana financial institutions tax and the Indiana inheritance tax. See "TAX MATTERS" and Appendix C herein.

$32,860,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2000A

Dated: January 15, 2000 Due: As Shown on the Inside Cover

The Indiana Bond Bank Special Program Refunding Bonds, Series 2000A (the "Series 2000A Bonds") will initially be dated January 15, 2000, and will bear interest from that date to their respective maturities in the amounts and at the rates set forth below. The Series 2000A Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2000A Bonds will be made in book-entry-only form, in the denomination of $5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2000A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2000A Bonds. Interest on the Series 2000A Bonds is payable on August 1 and February 1 of each year, commencing August 1, 2000. The principal of, redemption premium, if any, and interest on the Series 2000A Bonds will be paid directly to DTC by Bank One Trust Company, N.A., as trustee (the "Trustee") under the Indenture, as defined and described herein, so long as DTC or its nominee is the registered owner of the Series 2000A Bonds. The final disbursement of such payments to the Beneficial Owners of the Series 2000A Bonds will be the responsibility of the DTC Participants and the Indirect Participants, all as defined and more fully described herein under the caption "THE SERIES 2000A BONDS – Book-Entry-Only System."

The Series 2000A Bonds are issued by the Indiana Bond Bank (the "Bond Bank") for the principal purpose of currently refunding certain of the Bond Bank's outstanding obligations, as more fully described in this Official Statement.

The Series 2000A Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein under the caption "THE SERIES 2000A BONDS – Redemption."

The Series 2000A Bonds are limited obligations of the Bond Bank payable solely out of the revenues and funds of the Bond Bank pledged therefor under the Indenture, as more fully described herein. The Series 2000A Bonds do not constitute a debt, liability or loan of the credit of the State of Indiana or any political subdivision thereof, including any Qualified Entity (as defined herein), under the constitution and laws of the State of Indiana (the "State") or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof, including any Qualified Entity. The source of payment of, and security for, the Series 2000A Bonds are more fully described herein. The Bond Bank has no taxing power.

(A detailed maturity schedule is set forth on the inside cover.)

This cover page contains information for reference only and is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2000A Bonds are offered when, as and if issued by the Bond Bank and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Baker & Daniels, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed on for the Bond Bank by its General Counsel, Barnes & Thornburg, Indianapolis, Indiana, and for the Underwriters by their counsel, Krieg DeVault Alexander & Capehart, LLP, Indianapolis, Indiana. It is expected that the Series 2000A Bonds will be available for delivery to DTC in New York, New York, on or about January 26, 2000.

Banc One Capital Markets, Inc. First Union Securities, Inc.

January 19, 2000

$32,860,000
Indiana Bond Bank
Special Program Refunding Bonds, Series 2000A

$27,025,000 Serial Bonds
(plus accrued interest)

Maturity Date	Principal	Coupon Rate	Yield
08/01/00	5,000,000	4.500	4.000
02/01/01	3,650,000	5.000	4.200
08/01/01	100,000	4.450	4.450
02/01/02	8,925,000	5.500	4.910
08/01/02	375,000	5.000	4.920
02/01/03	3,065,000	5.500	5.050
08/01/03	385,000	5.050	5.050
02/01/04	1,610,000	5.500	5.150
08/01/04	355,000	5.150	5.150
02/01/05	1,150,000	5.500	5.250
08/01/05	360,000	5.250	5.250
02/01/06	1,035,000	5.500	5.350
08/01/06	315,000	5.350	5.350
02/01/09	700,000	5.600	5.600

$1,280,000   5.5%   2007 Term Bond, due August 1, 2007 – Price 100.609%
(plus accrued interest)

$920,000   5.5%   2008 Term Bond, due August 1, 2008 – Price 100.000%
(plus accrued interest)

$1,500,000   5.750%   2011 Term Bond, due August 1, 2011 – Price 99.583%
(plus accrued interest)

$1,000,000   6.00%   2014 Term Bond, due August 1, 2014 – Price 99.044%
(plus accrued interest)

$1,135,000   6.40%   2020 Term Bond, due August 1, 2020 – Price 100.000%
(plus accrued interest)

No dealer, broker, salesperson or other person has been authorized by the Bond Bank or by the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Series 2000A Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2000A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the information presented herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2000A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2000A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOND BANK AND THE TERMS OF THE OFFERING, INCLUDING THE MERIT AND RISK INVOLVED. THE SERIES 2000A BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$32,860,000

Indiana Bond Bank
Special Program Refunding Bonds, Series 2000A

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices, is to set forth certain information concerning the issuance and sale by the Indiana Bond Bank (the "Bond Bank") of its $32,860,000 aggregate principal amount of Special Program Refunding Bonds, Series 2000A (the "Series 2000A Bonds") to be issued by the Bond Bank. The Series 2000A Bonds are authorized by Resolutions adopted by the Board of Directors of the Bond Bank on December 15, 1999, and January 5, 2000, and are issued pursuant to the provisions of a Trust Indenture, dated as of January 15, 2000, between the Bond Bank and the Trustee (as hereinafter defined) (the "Indenture"), and the laws of the State of Indiana, including particularly Indiana Code 5-1.5, as amended from time to time (the "Act"). Bank One Trust Company, N.A., Indianapolis, Indiana, is the Trustee, Registrar and Paying Agent (the "Trustee," "Registrar" or "Paying Agent") under the Indenture.

The Program

The proceeds from the sale of the Series 2000A Bonds will be used to provide funds to establish an irrevocable escrow to defease and currently refund all of the Refunded Bonds (as hereinafter defined), and pay for certain costs of issuance of the Series 2000A Bonds, including the Underwriters' discount. See the caption "PLAN OF REFUNDING" for a discussion of the Refunded Bonds. The Refunded Bonds, as originally issued, are also referred to herein as the "Prior Bonds." Each issue of Prior Bonds was issued to provide for the purchase of certain qualified obligations issued by certain qualified entities (as defined in the Act) including those currently outstanding and listed in Appendix B (the "Prior Qualified Obligations"). From the proceeds of the Series 2000A Bonds and certain other funds on hand or in trust, the Bond Bank intends to currently refund all of the Refunded Bonds. Upon defeasance of the Refunded Bonds, the Prior Trustees (as defined in Appendix E) will release and the Bond Bank will pledge to the Trustee the Prior Qualified Obligations. Thereafter, the Prior Qualified Obligations will secure payment of the Series 2000A Bonds. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS".

Security and Sources of Payment for the Series 2000A Bonds

The Series 2000A Bonds will be issued under and secured by the Indenture. The principal of, redemption premium, if any, and interest on any and all of the Series 2000A Bonds, together with any refunding bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2000A Bonds (collectively, the "Bonds"), are payable from those revenues and funds of the Bond Bank which, together with the Qualified Obligations (as defined in Appendix E), are pledged pursuant to the Indenture for the benefit of the owners of the Bonds equally, ratably and without priority. Neither the faith, credit nor taxing power of State of Indiana (the "State") or any political subdivision thereof, including the Qualified Entities (as defined in Appendix E), is pledged to the payment of the principal of, redemption premium, if any, and interest on any of the Bonds. The Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including the Qualified Entities. The Bond Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Bonds are issued and secured separately from any other obligations issued by the Bond Bank.

The Bonds are secured by the pledge of the Trust Estate established under the Indenture (the "Trust Estate"), defined to be all cash and securities in the funds and accounts established by the Indenture (except the Rebate Fund and accounts therein, as described herein) (hereinafter the "Funds" and "Accounts") and the investment earnings thereon and all proceeds thereof and the Qualified Obligations and the earnings thereon and the proceeds thereof. All Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS."

The payment of principal of and interest on the Prior Qualified Obligations is derived by each of the Qualified Entities from revenues or, in some cases, taxes required by law to be levied or collected by or on behalf of the Qualified Entity. Each of the Prior Qualified Obligations has been issued pursuant to a separate detailed resolution, ordinance or indenture of the governing body of the respective Qualified Entity (collectively and individually, the "Authorizing Instruments"). The sources of payment on the Prior Qualified Obligations are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – Provisions for Payment of the Prior Qualified Obligations."

The Indenture provides that in order to further secure the payment of principal of and interest on the Series 2000A Bonds, the Bond Bank will establish thereunder a debt service reserve fund (the "Debt Service Reserve Fund"). The Debt Service Reserve Fund will be initially funded from monies available in the funds and accounts held under the Prior Indentures (as defined in Appendix E) upon the discharge thereof by a deposit in the amount of $10,370,000 (the "Reserve Fund Deposit") which amount equals the maximum annual debt service on the Series 2000A Bonds. Thereafter, the amount on deposit in the Debt Service Reserve Fund at any time shall equal the maximum annual debt service on outstanding Bonds in the present or any succeeding bond year. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – Debt Service Reserve Fund" for further discussion of the Debt Service Reserve Fund. Monies in the Debt Service Reserve Fund from time to time will be invested pursuant to the terms of an investment contract (the "Investment Agreement") among the Bond Bank, the Trustee and Bayerische Landesbank Girozentrale, and it is anticipated that such investment and the earnings thereon will be used to pay a portion of the principal of and interest on the Series 2000A Bonds. However, there can be no assurance that such monies or the earnings thereon will be available, if and when needed, to pay debt service on the Series 2000A Bonds. See the caption "RISKS TO THE OWNERS OF THE SERIES 2000A BONDS."

The Act provides that the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank to the State General Assembly prior to December 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to the amount then required to be on deposit in the Debt Service Reserve Fund pursuant to the Indenture (the "Debt Service Reserve Requirement"). The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any fiscal year of the Bond Bank ("Fiscal Year") in which the amount in the Debt Service Reserve Fund is projected to be less than the Debt Service Reserve Requirement. However, nothing in these provisions or in any other provision of the Act creates a debt or an obligation on the part of the State to make any payments or appropriations to or for the use of the Bond Bank. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately $437,575,000 in separate program obligations secured by debt service reserve funds which are also eligible for annual appropriations from the General Assembly. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – State Appropriations Mechanism" and "RISKS TO THE OWNERS OF THE SERIES 2000A BONDS."

The Series 2000A Bonds

Interest on the Series 2000A Bonds will accrue over time at the rates per annum set forth on the cover hereof and will be payable on August 1, 2000, and semiannually on each August 1 and February 1 thereafter. The Series 2000A Bonds will be issued in fully registered form in the denomination of $5,000 or any integral multiple thereof. See "THE SERIES 2000A BONDS."

When issued, the Series 2000A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2000A Bonds will be made in book-entry-only form. Purchasers of beneficial interests in the Series 2000A Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Series 2000A

Bonds. Interest on the Series 2000A Bonds, together with principal of the Series 2000A Bonds, will be paid by the Paying Agent directly to DTC, so long as DTC or its nominee is the registered owner of the Series 2000A Bonds. The final disbursement of such payments to Beneficial Owners of the Series 2000A Bonds will be the responsibility of the DTC Participants and Indirect Participants, all as defined and more fully described herein. See "THE SERIES 2000A BONDS -- Book-Entry-Only System."

The Series 2000A Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption prior to maturity as described herein under the caption "THE SERIES 2000A BONDS - Redemption."

The Bond Bank

The Bond Bank is a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bond Bank is governed by a Board of seven Directors, including the Treasurer of the State, who serves as Chairman Ex Officio, and the Director of the State Department of Financial Institutions, who serves as a Director Ex Officio and five additional Directors, each appointed by the Governor of the State.

Under separate trust indentures and other instruments authorized under the Act, the Bond Bank has previously issued and had outstanding as of January 1, 2000, an aggregate principal amount of approximately $1,108,831,377 in separate program obligations not secured by the Indenture, approximately $671,256,377 of which obligations are not secured by debt service reserve funds eligible for annual appropriation by the State General Assembly. Additionally, as of the date of this Official Statement, the Bond Bank is considering undertaking other types of financing for qualified entities for purposes authorized by and in accordance with the procedures set forth in the Act. The obligations issued by the Bond Bank in connection with any and all such financings, if any, will be secured separately from the Series 2000A Bonds and will not constitute Bonds under the Indenture or for purposes of this Official Statement.

The Act

Pursuant to the Act, the purpose of the Bond Bank is to assist "qualified entities," defined in the Act to include political subdivisions, as defined in Indiana Code 36-1-2-13, state educational institutions, as defined in Indiana Code 20-12-0.5-1, leasing bodies, as defined in Indiana Code 5-1-1-1(a), any commissions, authorities or authorized bodies of any qualified entity, and any organizations, associations or trusts with members, participants or beneficiaries that are all individually qualified entities. The Bond Bank provides such assistance through programs of, among other things, purchasing the bonds, notes or evidences of indebtedness of such qualified entities. Under the Act, "qualified entities" includes entities such as cities, towns, counties, school corporations, library corporations, special taxing districts, state educational institutions and nonprofit corporations and associations which lease facilities or equipment to such entities. Each of the entities listed in Appendix B is a "qualified entity" within the meaning of the Act.

Risks to the Owners of the Series 2000A Bonds

There are certain risks involved in the ownership of the Series 2000A Bonds which should be considered by prospective purchasers. The ability of the Bond Bank to pay principal of, redemption premium, if any, and interest on the Series 2000A Bonds depends primarily upon the receipt by the Bond Bank of qualified obligation payments (the "Qualified Obligation Payments") from all Qualified Entities that issued the Prior Qualified Obligations which are obligated to make such payments to the Bond Bank, together with investment earnings on certain amounts in the Funds and Accounts defined in and established under the Indenture. There can be no representation or assurance that all of the Qualified Entities that issued the Prior Qualified Obligations will realize sufficient rates, charges, or other revenues to make the required Qualified Obligation Payments. In addition, the State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund; however, the State General Assembly is not and cannot be obligated to appropriate any such funds. Further, factors beyond the control of the Bond Bank may make it difficult or impossible for the State General Assembly to appropriate sufficient funds in a timely fashion to replenish any deficiency in the Debt Service Reserve Fund. Pursuant to the terms of the Investment Agreement, it is anticipated that earnings from the investment of amounts held in the Debt Service Reserve Fund and certain other monies held in the General Fund from time to time (collectively, the "Investment Amounts") will be used to pay all or a portion of the principal of and interest on the Series 2000A Bonds. However, there can be no assurance that such Investment Amounts or the earnings thereon will be available, if and when needed, to pay debt service on the Series 2000A Bonds. Failure of the Bond Bank and/or any Qualified Entity that issued a Prior Qualified Obligation to comply with certain tax covenants may also adversely affect the exempt status of the interest on all of the Series 2000A Bonds as described under the caption "TAX MATTERS." See the caption "RISKS TO THE OWNERS OF THE SERIES 2000A BONDS" in this Official Statement.

The Official Statement; Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained in this Introduction is qualified by reference to this entire Official Statement (including the appendices). This Introduction is only a brief description and a full review should be made of this entire Official Statement (including the appendices), as well as the documents summarized or described in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the full text of each such document, statute or instrument. Summaries of certain provisions of the Indenture and definitions of some of the capitalized words and terms used in this Official Statement are set forth in Appendix D and Appendix E. Terms not defined herein shall have the respective meanings ascribed thereto in the Indenture.

Information contained in this Official Statement with respect to the Bond Bank and the Qualified Entities and copies of the Indenture and the Authorizing Instruments may be obtained from the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204. The Bond Bank's telephone number is (317) 233-0888.

It is the Bond Bank's current policy to provide its financial statements to holders of its obligations, including the Bonds, upon written request. In addition, certain other information concerning the Bond Bank is available to the Trustee and owners of the Bonds pursuant to the Indenture. See the caption "CONTINUING DISCLOSURE".

THE SERIES 2000A BONDS

General Description

The Series 2000A Bonds are issuable as fully registered bonds in denomination of $5,000 or any integral multiple thereof. The Series 2000A Bonds will be dated as of January 15, 2000.

Interest on the Series 2000A Bonds will be payable on August 1 and February 1 of each year, commencing August 1, 2000 (each an "Interest Payment Date"). The Series 2000A Bonds will bear interest (calculated on the basis of a 30-day month and a 360-day year) at the rates and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Each Series 2000A Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated after the fifteenth day of the calendar month immediately preceding an Interest Payment Date (a "Record Date") and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) authenticated prior to the closing of business on the Record Date preceding the first Interest Payment Date, in which event it will bear interest from January 15, 2000; provided, however, that if, at the time of authentication of any Series 2000A Bond, interest is in default, such Series 2000A Bond will bear interest from the date to which interest has been paid.

When issued, all Series 2000A Bonds will be registered in the name of and held by Cede & Co., as nominee for DTC. Purchases of beneficial interests from DTC in the Series 2000A Bonds will be made in book-entry-only form (without certificates) in the denomination of $5,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Series 2000A Bonds, payments of the principal of and interest on the Series 2000A Bonds will be made directly by the Trustee by wire transfer of funds to Cede & Co., as nominee for DTC. Disbursement of such payments to the participants of DTC (the "DTC Participants") will be the sole responsibility of DTC, and the ultimate disbursement of such payments to the Beneficial Owners, as defined herein, of the Series 2000A Bonds will be the responsibility of the DTC Participants and the Indirect Participants, as defined herein. See the heading, "Book-Entry-Only System" under this caption.

If DTC or its nominee is not the registered owner of the Series 2000A Bonds, principal of and premium, if any, on all of the Series 2000A Bonds will be payable at maturity upon the surrender thereof at the principal corporate trust office of the Paying Agent. Interest on the Series 2000A Bonds, when due and payable, will be paid by check dated the due date mailed by the Paying Agent one business day prior to the due date (or, in the case of an owner of Series 2000A Bonds in an aggregate principal amount of at least $1,000,000, by wire transfer on such due date, upon written direction of such registered owner to the Paying Agent not less than five business days before the Record Date immediately prior to such Interest Payment Date, which direction shall remain in effect until revoked in writing by such owner) to the persons in whose names such Series 2000A Bonds are registered, at their addresses as they appear on the bond registration books maintained by the Registrar on the Record Date, irrespective of any transfer or exchange of such Series 2000A Bonds subsequent to such Record Date and prior to such Interest Payment Date, unless the Bond Bank shall default in payment of interest due on such Interest Payment Date.

Except as provided under "Book-Entry-Only System," in all cases in which the privilege of exchanging or transferring Series 2000A Bonds is exercised, the Bond Bank will execute and the Registrar will deliver Series 2000 A Bonds in accordance with the provisions of the Indenture. The Series 2000A Bonds will be exchanged or transferred at the corporate trust operations office of the Registrar only for Series 2000A Bonds of the same tenor and maturity. In connection with any transfer or exchange of Series 2000A Bonds, the Bond Bank or the Trustee may impose a charge for any applicable tax, fee or other governmental charge incurred in connection with such transfer or exchange, which sums are payable by the person requesting such transfer or exchange.

The person in whose name a Series 2000A Bond is registered will be deemed and regarded as its absolute owner for all purposes and payment of principal and interest thereon will be made only to or upon the order of the registered owner or its legal representative, but such registration may be changed as provided above. All such payments shall be valid to satisfy and discharge the liability upon such Series 2000A Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption. The Series 2000A Bonds maturing on or after August 1, 2011, may be redeemed on or after February 1, 2009, at the option of the Bond Bank in whole or in part on any date in any order of maturity or portion thereof as selected by the Bond Bank, within a maturity by lot in such manner as the Trustee may determine, at a redemption price of par plus accrued interest to the redemption date.

Sinking Fund Redemption. The Series 2000A Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1, 2007 (the "2007 Term Bond"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such 2007 Term Bond, plus accrued interest to the redemption date, on August 1 or February 1 of each year as shown in the following table:

Maturity	Principal Amount
02/01/07	$ 950,000
08/07/07 (final maturity)	330,000

The Series 2000A Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1, 2008 (the "2008 Term Bond"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such 2008 Term Bond, plus accrued interest to the redemption date, on August 1 or February 1 of each year as shown in the following table:

Maturity	**Principal Amount**
02/01/08	$ 655,000
08/01/08 (final maturity)	265,000

The Series 2000A Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1, 2011 (the "2011 Term Bond"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such 2011 Term Bond, plus accrued interest to the redemption date, on August 1 or February 1 of each year as shown in the following table:

Maturity	**Principal Amount**
08/01/09	155,000
02/01/10	695,000
08/01/10	145,000
02/01/11	390,000
08/01/11 (final maturity)	115,000

The Series 2000A Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1, 2014 (the "2014 Term Bond"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such 2014 Term Bond, plus accrued interest to the redemption date, on August 1 or February 1 of each year as shown in the following table:

Maturity	**Principal Amount**
02/01/12	$ 335,000
08/01/12	120,000
02/01/13	220,000
08/01/13	55,000
02/01/14	250,000
08/01/14 (final maturity)	20,000

The Series 2000A Bonds (or any portions thereof in integral multiples of $5,000 each) maturing on August 1, 2020 (the "2020 Term Bond"), are also subject to mandatory sinking fund redemption prior to their maturity date at a redemption price equal to the principal amount of such 2020 Term Bond, plus accrued interest to the redemption date, on August 1 or February 1 of each year as shown in the following table:

Maturity	**Principal Amount**
02/01/15	$ 235,000
02/01/16	210,000
02/01/17	150,000
02/01/18	140,000
02/01/19	190,000
02/01/20 (final maturity)	210,000

The 2007 Term Bond, the 2008 Term Bond, the 2011 Term Bond, the 2014 Term Bond and the 2020 Term Bond are hereinafter collectively referred to as the "Term Bonds." Under the Indenture, selection of Term Bonds to be redeemed will be made by lot by the Trustee. In accordance with DTC's standard practices and its agreement with the Bond Bank, DTC and the DTC Participants will make this selection so long as the Series 2000A Bonds are in book-entry form. The principal amount of Term Bonds to be redeemed on each date set forth above will be subject to reduction by the principal amount of any such Term Bonds of the same maturity which, not less than 45 days prior to a sinking fund redemption date, have been theretofore surrendered to or purchased by the Trustee for cancellation, and canceled, all in accordance with the Indenture. The principal amount of any Term Bonds so surrendered and canceled in excess of the principal amount scheduled for redemption in any one year will be credited against future redemption obligations and the principal amounts of Term Bonds subject to sinking fund redemption at such times will be accordingly reduced.

Extraordinary Mandatory Redemption. The Series 2000A Bonds are also subject to extraordinary mandatory redemption in whole or in part, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that monies are deposited in the Redemption Account from an extraordinary redemption of a prior Qualified Obligation or from proceeds received upon a default on a Prior Qualified Obligation, unless such monies can be invested at a yield calculated in accordance with the Code as defined in Appendix E over any period of time ending on any subsequent interests payment date which equals or exceeds the average interest rate on the Outstanding Series 2000A Bonds provided that in the Opinion of Bond Counsel as defined in Appendix E such investment would not cause any of the Series 2000A Bonds to be arbitrage bonds as defined in the Code or otherwise cause the interest on the Series 2000A Bonds to be includable in gross income of the owners thereof for federal income tax purposes.

Cash Flow Certificate. Prior to any optional or extraordinary mandatory redemption of any Series 2000A Bonds, the Bond Bank will be required under the Indenture to deliver or to cause to be delivered to the Trustee a Cash Flow Certificate (as defined in Appendix E) with respect to such proposed redemption.

Notice of Redemption. In the case of redemption of the Series 2000A Bonds, notice of the call for any such redemption identifying the Series 2000A Bonds, or portions of fully registered Series 2000A Bonds, to be redeemed will be given by mailing a copy of the redemption notice by registered or certified mail not less than 30 days nor more than 45 days prior to the date fixed for redemption to the registered owner of each Series 2000A Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, to the registered owner of any Series 2000A Bond shall not affect the validity of any proceedings for the redemption of any other Series 2000A Bonds. On and after the redemption date specified in the aforementioned notices, such Series 2000A Bonds, or portions thereof, thus called (provided funds for their redemption are on deposit at the place of payment) shall not bear interest, shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture, and the owners thereof shall have the right to receive the redemption price thereof plus accrued interest thereon to the date fixed for redemption only from the funds deposited with the Trustee for the redemption of such Series 2000A Bonds.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Series 2000A Bonds called, together with accrued interest on the Series 2000A Bonds to the redemption date. After the redemption date, if prior notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Series 2000A Bonds that have been called.

Book-Entry-Only System

DTC will act as securities depository for the Series 2000A Bonds. The ownership of one fully registered Series 2000 Bond for each maturity of the Series 2000A Bonds, will be registered in the name of Cede & Co., as nominee for DTC.

DTC has advised the Bond Bank that DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain custodial relations with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2000A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2000A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2000A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2000A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners of Series 2000A Bonds will not receive certificates representing their beneficial ownership interests in the Series 2000A Bonds unless use of the book-entry-only system for the Series 2000A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2000A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2000A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2000A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2000A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners of the Series 2000A Bonds will be governed by arrangements among DTC, DTC Participants, Indirect Participants and Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2000A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2000A Bonds. Under its usual procedures, DTC will mail an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2000A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2000A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instruments and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2000A Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under the circumstances, in the event that a successor securities depository is not obtained, Series 2000A Bond certificates are required to be printed and delivered.

The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2000A Bond certificates will be printed and delivered.

THE INFORMATION PROVIDED IMMEDIATELY ABOVE UNDER THIS CAPTION HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE BOND BANK OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Series 2000A Bonds are registered in the name of DTC or its nominee or any successor securities depository or its nominee, the Bond Bank and the Trustee will recognize only DTC or its nominee or such successor securities depository or its nominee as the registered owner of the Series 2000A Bonds for all purposes, including payments, notices and voting.

Under the Indenture, payments made by the Trustee to DTC or its nominee or any successor securities depository or its nominee shall satisfy the Bond Bank's obligations under the Indenture to the extent of the payments so made.

Neither the Bond Bank nor the Trustee shall have any responsibility or obligation with respect to:

(i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the Series 2000A Bonds;

(ii) the delivery to any DTC Participant or Indirect Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any Series 2000A Bond, including, without limitation, any notice of redemption;

(iii) the payment to any DTC Participant or Indirect Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Series 2000 Bond;

(iv) any consent given by DTC or any successor securities depository as registered owner; or

(v) the selection by DTC or any Direct Participant or Indirect Participant by any successor depository or its participants of the beneficial ownership interests in Series 2000A Bonds for partial redemption.

So long as the Series 2000A Bonds are held in the book-entry-only system of the securities depository, the Bond Bank and Trustee may treat DTC and any successor securities depository as, and deem DTC and any successor securities depository to be, the absolute owner of the Series 2000A Bonds for all purposes whatsoever, including, without limitation:

(i) the payment of the principal of, premium, if any, and interest on and the purchase price of the Series 2000A Bonds;

(ii) giving notices of redemption and other matters with respect to the Series 2000A Bonds;

(iii) registering transfers with respect to the Series 2000A Bonds; and

(iv) the selection of the beneficial ownership interests in Series 2000A Bonds for partial redemption.

Revision of Book-Entry-Only System

In the event that either (i) the Bond Bank receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2000A Bonds or (ii) the Bond Bank elects to discontinue its use of DTC as a clearing agency for the Series 2000A Bonds, then the Bond Bank and the Trustee will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2000A Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2000A Bonds and to transfer the ownership of each of the Series 2000A Bonds to such person or persons, including any other clearing agency, as the holder of such Series 2000A Bonds may direct in accordance with the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2000A Bonds, will be paid by the Bond Bank.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS

The Series 2000A Bonds, together with any refunding bonds that may be authorized and issued by the Bond Bank under the Indenture on a parity with the Series 2000A Bonds (collectively, the "Bonds"), are payable only out of the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, redemption premium, if any, and interest on all of the Bonds. **The Series 2000A Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof, including any Qualified Entity, under the constitution of the State or a pledge of the faith, credit or taxing power of the State or any political subdivision thereof, including any Qualified Entity. The Bond Bank has no taxing power.** The sources of payment of, and security for, the Series 2000A Bonds are more fully described below.

Under the Indenture, the Series 2000A Bonds are secured by a pledge to the Trustee of the Prior Qualified Obligations and all principal and interest payments made or required to be made on the Prior Qualified Obligations (the "Qualified Obligation Payments"), as described therein. In addition, the Indenture pledges to the payment of the Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture, except for the Rebate Fund and the accounts thereunder, together with proceeds thereof (except to the extent transferred to the Rebate Fund from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys to be pledged by the Bond Bank to the Trustee as security under the Indenture, to the extent of any such pledge. Under the Act and Indiana Code 5-1-14-4, such pledge is valid and binding from and after the date of delivery of the Series 2000A Bonds under the Indenture and such Prior Qualified Obligations and the Qualified Obligation Payments thereon shall be immediately subject to the lien of such pledge without any physical delivery of the payments or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof.

The Qualified Entities and the Prior Qualified Obligations

The Bond Bank has previously issued the Special Loan Program Bonds, Series 1988A (the "Series 1988A Bonds"), the Special Loan Program Bonds, Series 1988B (the "Series 1988B Bonds"), the Special Loan Program Bonds, Series 1988C (the "Series 1988C Bonds"), the Special Loan Program Bonds, Series 1989 (the "Series 1989 Bonds"), the Special Program Bonds, Series 1985B (the "Series 1985B Bonds"), the Special Program Bonds, Series 1986B (the "Series 1986B Bonds"), the Special Program Bonds, Series 1986C (the "Series 1986C Bonds"), the Special Program Bonds, Series 1986E (the "Series 1986E Bonds"), the Special Program Bonds, Series 1987A (the "Series 1987A Bonds"), the Special Program Bonds, Series 1989C (the "Series 1989C Bonds"), the Special Program Bonds, Series 1990A (the "Series 1990A Bonds"), and the Special Program Bonds, Series 1990B (the "Series 1990B Bonds") (collectively, the "Refunded Bonds"). See "PLAN OF REFUNDING" for a discussion of the Refunded Bonds. Each issue of the Prior Bonds was issued to provide for the purchase of Prior Qualified Obligations. From the proceeds of the Series 2000A Bonds and certain other funds on hand or in trust, the Bond Bank intends to currently refund all of the Refunded Bonds. Upon defeasance of the Refunded Bonds, the Prior Trustees will release, and the Bond Bank will pledge to the Trustee as security for the Series 2000A Bonds, the Prior Qualified Obligations. Thereafter, the Prior Qualified Obligations will secure payment of the Series 2000A Bonds. The Prior Qualified Obligations are listed in Appendix B. The Qualified Obligation Payments have been structured to be sufficient along with earnings thereon, and along with other monies in the Funds and Accounts and earnings thereon, to pay the principal of and interest on the Series 2000A Bonds when due.

Provisions for Payment of the Prior Qualified Obligations

Municipal Utility Revenue Obligations. Under the provisions of Indiana Code 8-1.5, the Indiana Utility Regulatory Commission (the "IURC") has jurisdiction over the rates and charges of all municipally owned water, electric and gas utilities, except for utilities owned by a municipality in which the voters or, in certain circumstances, the legislative body has elected to be taken out of the jurisdiction of the IURC. The municipal legislative body determines and enacts rates and charges for such utilities and, except for such utilities which have been removed from the jurisdiction of the IURC, the IURC is required by law to adjudicate reasonable and just rates and charges for services for cash such municipally owned utility. Under the provisions of Indiana Code 8-1.5-3-8, the rates and charges made by such a municipally owned utility must be sufficient to provide, among other things, a sinking fund for the liquidation of bonds or other evidences of indebtedness and a debt service reserve in an amount not to exceed the maximum annual debt service on such obligations. Also under the statute, rates and charges which are too low to meet the cash operating and other statutory revenue requirements of the utility, including the payment of debt service, are unlawful. The statutory revenue requirements are applicable to all municipal utilities described above, whether or not such municipal utility is subject to IURC jurisdiction.

Municipal Sewer and Regional Wastewater District Utility Revenue Obligations. The rates and charges of municipal sewage works utilities are presently not under the jurisdiction of the IURC. Under the provisions of Indiana Code 36-9-23 or Indiana Code 13-26-11, respectively, the legislative body of a municipality, or the Board of Trustees of a regional wastewater district, owning a sewage works utility must enact fair and equitable rates and charges sufficient to provide, among other things, net revenues which fund a sinking fund for the liquidation of bonds or other evidence of indebtedness. Such net revenues are defined as gross revenues less reasonable operation, repair and maintenance costs. Also under these statutes, rates and charges which are too low to meet the cash operating and other requirements of the utility, including the payment of debt service, are unlawful.

Conservancy District Obligations. Pursuant to Indiana Code 14-33-2, a conservancy district may be established to provide for, among other things, flood prevention and control, drainage, irrigation, water supply and sewage collection. To provide funds to pay for the costs of such works, a conservancy district may issue bonds payable from the net revenues of a project, or payable from a combination of net revenues and other monies available to the district, including special benefits taxes levied upon the property in the district and the assessment of exceptional benefits. In addition, a conservancy district constitutes a special taxing district with the power to levy special benefits taxes for the payment of its Qualified Obligations.

Tax-Based Obligations. Political subdivisions in Indiana may issue general obligation bonds and special taxing district bonds payable from unlimited ad valorem taxes and secured by the full faith and credit of the political subdivision or the special taxing district involved.

Each year, political subdivisions in Indiana are required to meet to fix a budget, establish a tax rate and determine the tax levy for the ensuing budget year. The officers of each political subdivision are required by the provisions of Indiana Code 6-1.1-18-3(b) to fix tax rates which are sufficient to provide funds to pay, among other things, the principal of and interest on any obligation of the political subdivision described therein. The appropriation is reviewed by the State Board of Tax Commissioners to ascertain that the amount of the appropriation is sufficient to meet the political subdivision's debt service obligations. Upon review, the State Board of Tax Commissioners is authorized by the provisions of Indiana Code 6-1.1-17-17 to increase the tax rate and tax levy of a political subdivision to pay, among other things (i) the principal and interest upon a fund, refunding or judgment funding obligation of the political subdivision, (ii) principal and interest upon an outstanding obligation of a political subdivision, or (iii) lease rentals of a political subdivision.

See Appendix B for additional information concerning the provisions for payment of other Prior Qualified Obligations.

Additional Bonds

Additional bonds of the Bond Bank may be issued on a parity with the Series 2000A Bonds pursuant to the Indenture only for the purpose of (a) refunding (in whole or in part) Bonds issued by the Bond Bank pursuant to the Indenture or (b) purchasing additional qualified obligations of the Qualified Entities ("Refunding Qualified Obligations") to provide for the refunding (in whole or in part) of the Qualified Obligations or another Refunding Qualified Obligation, or both.

Enforcement of the Prior Qualified Obligations

As owner of the Prior Qualified Obligations, the Bond Bank has available to it all remedies available to owners or holders of securities issued by qualified entities. The Act provides that upon the sale and the delivery of any qualified obligation to the Bond Bank, a qualified entity will be deemed to have agreed that all statutory defenses to nonpayment are waived in the event that such qualified entity fails to pay principal of or interest on such qualified obligation when due.

In the case of a Prior Qualified Obligation that is a sewage works revenue bond, in certain circumstances including failure to make required payments on such Prior Qualified Obligation, the Bond Bank, as the owner or holder of the Prior Qualified Obligation, is permitted to obtain a lien upon and seek the appointment of a receiver for the facilities the revenues of which are pledged for the payment of such Prior Qualified Obligation and to compel, subject to any applicable regulatory approvals, the establishment of rates and charges to provide revenues sufficient to pay debt service and operating expenses. In the case of a Prior Qualified Obligation that is a special taxing district bond or other tax-based obligation, under the Act, upon nonpayment and demand for payment and if the necessary funds are not available in the treasury of the Qualified Entity for such payment, an action in mandamus will lie for the levy of a tax to make such payment. In the case of a Prior Qualified Obligation that is a utility revenue bond, other than a sewage works revenue bond, Indiana law does not prescribe any specific procedures for enforcement upon a default.

The Bond Bank will be constituted a holder or owner of securities that are in default. The Bond Bank is obligated under the Indenture to avail itself of all remedies and provisions of law applicable in the circumstances, and the failure to exercise any right or remedy within a time or period provided by law may not, according to the Act, be raised as a defense by the defaulting Qualified Entity.

Further, each Qualified Entity, whose Prior Qualified Obligations are subject to the Code, has agreed under the purchase agreement for its respective Prior Qualified Obligation to report to the Bond Bank on its compliance with certain covenants which the Qualified Entity has made regarding various actions and conditions necessary to preserve the tax-exempt status of interest paid on the Prior Qualified Obligations. See the caption "TAX MATTERS." The Bond Bank has also determined to consult with the Qualified Entities, as necessary from time to time, with regard to the action needed to be taken by the Qualified Entities to preserve the exclusion of the interest on the Series 2000A Bonds from the gross income of the holders of the Series 2000A Bonds.

The Bond Bank will monitor the compliance and consult regularly with the Qualified Entities with respect to their respective requirements under the Prior Qualified Obligations, including the making of Qualified Obligation Payments to the Bond Bank.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Board of Directors of the Bond Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

(i) Monies available to the Bond Bank from funds and accounts under the Prior Indentures upon the discharge thereof required to be deposited in the Debt Service Reserve Fund by the terms of the Indenture (or any future Bond proceeds or other money required by a Supplemental Indenture or resolution of the Bond Bank), initially established under the Indenture as the Reserve Fund Deposit in the amount of $10,370,000, which amount equals the maximum annual debt service on the Series 2000A Bonds;

(ii) All money required to be transferred to the Debt Service Reserve Fund for the replenishment thereof from another Fund or Account under the Indenture;

(iii) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and

(iv) Any other available money or funds that the Bond Bank may decide to deposit in the Debt Service Reserve Fund.

Subsequent to the Reserve Fund Deposit, the Debt Service Reserve Requirement shall be annually reduced to the maximum annual debt service on Outstanding Bonds in the present or any succeeding bond year.

As permitted by the Act, the Indenture provides that, for purposes of computing amounts in the Debt Service Reserve Fund, Investment Securities, as defined in Appendix E, purchased as an investment of monies in such Fund will be valued at their amortized cost. Monies in the Debt Service Reserve Fund from time to time will be invested pursuant to the Investment Agreement and it is anticipated that such investment and the earnings thereon will be used to pay a portion of the principal of and interest on the Series 2000A Bonds. However, there can be no assurance that such monies or the earnings thereon will be available, if and when needed, to pay debt service on the Series 2000A Bonds. For further information regarding the Investment Agreement and the nature of and requirements for the investment of the Debt Service Reserve Fund, see "RISKS TO THE OWNERS OF THE SERIES 2000A BONDS."

Except as provided in the Indenture, monies in the Debt Service Reserve Fund will be held and applied to the payment of the principal of and interest on the Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

State Appropriations Mechanism

The Act provides that in order to assure the maintenance of the Debt Service Reserve Requirement in the Debt Service Reserve Fund, the State General Assembly may annually appropriate to the Bond Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Chairman of the Board of Directors of the Bond Bank prior to December 1 of any year to the State General Assembly, as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement. The Indenture further requires such certification to be made by the Chairman to the State General Assembly on or before August 1 of any Fiscal Year in which the amount in the Debt Service Reserve Fund is projected to be less than the Debt Service Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bond Bank. There can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. The Bond Bank has previously issued and has outstanding as of the date of this Official Statement an aggregate principal amount of approximately $437,575,000 in separate program obligations secured by debt service reserve funds, which are also eligible for annual appropriations from the General Assembly.

In accordance with the Constitution of the State, the State General Assembly meets for a maximum period of 61 legislative days in every odd-numbered year in order to establish a budget and to make appropriations. The State General Assembly also meets for a maximum period of 30 legislative days in intervening years in order to make supplemental appropriations. Because the State General Assembly meets for only a portion of each year, there can be no representation or assurance that the State General Assembly could, if it elected to do so, take timely action upon a certificate from the Chairman of the Board of Directors of the Bond Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Bonds.

Also under the Act, the State has pledged to and agreed with the owners of the bonds or notes of the Bond Bank not to limit or restrict the rights vested in the Bond Bank by the Act to fulfill the terms of any agreements made with the owners of such bonds or notes or in any way impair the rights or remedies of such owners until the bonds and notes, together with interest thereon, and interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such owners are fully met, paid and discharged.

RISKS TO OWNERS OF THE SERIES 2000A BONDS

Purchasers of the Bonds are advised of certain risk factors with respect to the payment of the Series 2000A Bonds. This discussion is not intended to be all-inclusive, and other risks may also be present.

The ability of the Bond Bank to pay principal of, and interest on, the Series 2000A Bonds depends primarily upon the receipt by the Bond Bank of payments pursuant to the Prior Qualified Obligations, including interest at the rates provided therein, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund, there is no source of funds which is required to make up for any deficiencies in the event of one or more defaults by one or more Qualified Entities in such payments on the Prior Qualified Obligations. There can be no representation or assurance that all of the Qualified Entities that issued the Prior Qualified Obligations will receive sufficient taxes or revenues, as the case may be, or otherwise have sufficient funds available to make their required payments on the Prior Qualified Obligations. The receipt of such revenues by any Qualified Entity is subject to, among other things, future economic conditions, actions by creditors, and other conditions which are variable and not certain of prediction. For a description of procedures for providing for the payment of the Prior Qualified Obligations, see the captions “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000 A BONDS – Provisions for Payment of the Prior Qualified Obligations.”

The State General Assembly may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – State Appropriations Mechanism”). However, the State General Assembly is not and cannot be obligated to appropriate any such funds. Moreover, the State General Assembly meets for only a portion of each year commencing in January and ending not later than April 30, unless extended by a special session called by the Governor, and there can be no representation or assurance (i) that a certificate from the Chairman of the Board of Directors of the Bond Bank, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State General Assembly, or (ii) that upon consideration of any such certificate, the State General Assembly would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State General

Assembly determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Series 2000A Bonds be deemed to be a debt or obligation of the State. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – State Appropriations Mechanism."

It is expected that the Investment Amounts will be invested in the Investment Agreement entered into between the Bond Bank, Trustee and Bayerische Landesbank Girozentrale, or another financial institution (the "Financial Institution") currently rated in one of the two highest rating categories by Standard & Poor's Rating Group. It is anticipated that the Investment Amounts, together with the earnings thereon, pursuant to the terms of the Investment Agreement will be used to pay all or a portion of principal of and interest on the Series 2000A Bonds. However, there can be no assurance that the Financial Institution will be able to return the Investment Amounts and the earnings thereon on a timely basis or at the rates contemplated under the Investment Agreement. In the event that the Financial Institution fails to return the Investment Amounts or the earnings thereon on a timely basis or at the rates contemplated under the Investment Agreement, the Investment Amounts and the earnings thereon may be unavailable to pay debt service on the Series 2000A Bonds. Similarly, there can be no assurance that, in the event of the insolvency, bankruptcy or similar deterioration in financial condition of the Financial Institution, the Investment Amounts and the earnings thereon will be available, if needed, to pay debt service on the Series 2000A Bonds.

The Bond Bank has covenanted under the Indenture to take all qualifying actions and not to fail to take any qualifying actions required to assure the continuing exclusion of interest on the Series 2000A Bonds from gross income for federal income tax purposes. Failure by the Bond Bank to comply with such covenants could cause the interest on the Series 2000A Bonds to be taxable retroactive to the date of issuance. Also, in connection with the original purchase of each of the Prior Qualified Obligations, the Bond Bank received an opinion of counsel by a nationally recognized firm experienced in matters relating to municipal law and matters relating to the exclusion of interest payable on obligations of states and their instrumentalities and political subdivisions from gross income under federal tax law, acceptable to the Bond Bank and the Trustee (an "Opinion of Bond Counsel"), for the Qualified Entity to the effect that, conditioned upon continuing compliance by a Qualified Entity with certain covenants made in connection with the issuance of such Prior Qualified Obligations, the interest on the Prior Qualified Obligations is excludable from the gross income of the holder thereof for federal income taxpurposes under existing statutes, decisions, regulations and rulings. However, the interest on such Prior Qualified Obligations could become taxable in the event that the Qualified Entity fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to its Prior Qualified Obligations under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent such Prior Qualified Obligations from being deemed to be "private activity bonds" under the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2000A Bonds and any applicable regulations promulgated thereunder (the "Code"). Such an event could in turn adversely affect the exempt status of the interest on all of the Series 2000A Bonds retroactive to the date of issuance. See the caption "TAX MATTERS." The Bond Bank is not aware of any circumstances that would cause the interest on the Prior Qualified Obligations to be includable for purposes of federal income tax under the Code, but has not undertaken any investigation in connection with this Official Statement.

The remedies available to the Trustee, to the Bond Bank or to the owners of the Bonds upon the occurrence of an Event of Default under the Indenture or under the terms of any of the Prior Qualified Obligations or the Investment Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the "United States Bankruptcy Code"), the remedies provided in the Indenture, the Prior Qualified Obligations, and the Investment Agreement may not be readily available or may be limited.

PLAN OF REFUNDING

Provision for Payment of Certain of the Refunded Bonds

A portion of the proceeds of the Series 2000A Bonds will be used to purchase certain non-callable U.S. Government Obligations (the "Escrowed Securities") to be held in escrow under the Escrow Agreement dated as of January 15, 2000 (the "Escrow Agreement") by and among the Bond Bank, Bank One Trust Company, N.A., as escrow trustee, and Bank One Trust Company, N.A., and National City Bank of Indiana, as prior trustees, to provide funds for the payment when due of the principal of, redemption premium, if any, and interest on the Refunded Bonds up to and including the date of redemption thereof (February 1, 2000 except for the Series 1985B Bonds which will be redeemed on April 1, 2000).

Refunded Bonds to be Refunded

The Refunded Bonds which will be refunded from the proceeds of the Series 2000A Bonds are as follows:

Issue	Aggregate Principal Amount Paid and Refunded	Redemption Date
Series 1985B Bonds	$ 665,000	04/01/00
Series 1986B Bonds	7,205,000	02/01/00
Series 1986C Bonds	2,080,000	02/01/00
Series 1986E Bonds	1,125,000	02/01/00
Series 1987A Bonds	1,105,000	02/01/00
Series 1988A Bonds	3,070,000	02/01/00
Series 1988B Bonds	6,775,000	02/01/00
Series 1988C Bonds	1,775,000	02/01/00
Series 1989 Bonds	4,955,000	02/01/00
Series 1989C Bonds	3,615,000	02/01/00
Series 1990A Bonds	6,415,000	02/01/00
Series 1990B Bonds	5,875,000	02/01/00

APPLICATION OF PROCEEDS OF THE SERIES 2000 A BONDS

Set forth below is a summary of the estimated sources and uses of the proceeds of the Series 2000A Bonds, exclusive of accrued interest from the dated date of the Series 2000A Bonds to delivery:

Sources:

Par Amount	$	32,860,000.00
Accrued Interest		53,516.30
Net Original Issue Premium		212,201.40
Prior Reserve and General Account Funds		24,600,167.17
Total Sources	$	57,725,884.87

Uses:

Cost of Escrow	$	46,693,368.62
Cost of Issuance (including Underwriter's discount)		585,161.50
DSR Fund		10,370,000.00
Deposit to General Account		77,354.75
Total Uses	$	57,725,884.87

THE INDIANA BOND BANK

The Bond Bank was created in 1984, and is organized and existing under and by virtue of the Act as a separate body corporate and politic, constituting an instrumentality of the State for the public purposes set forth in the Act. The Bond Bank is not an agency of the State, but is separate from the State in its corporate and sovereign capacity and has no taxing power.

Powers Under the Act

Under the Act, the Bond Bank has a perpetual existence and is granted all powers necessary, convenient or appropriate to carry out its public and corporate purposes including, without limitation, the power to do the following:

1. Make, enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to a loan to or a lease or an agreement with a qualified entity, a purchase, acquisition or a sale of qualified obligations or other investments or the performance of its duties and execution of its powers under the Act;

2. Purchase, acquire or hold qualified obligations or other investments for the Bond Bank's own account or for a qualified entity at such prices and in a manner as the Bond Bank considers advisable, and sell or otherwise dispose of the qualified obligations or investments at prices without relation to cost and in a manner the Bond Bank considers advisable;

3. Fix and establish terms and provisions upon which a purchase or loan will be made by the Bond Bank;

4. Prescribe the form of application or procedure required of a qualified entity for a purchase or loan and enter into agreements with qualified entities with respect to each purchase or loan;

5. Render and charge for services to a qualified entity in connection with a public or private sale of any qualified obligation, including advisory and other services;

6. Charge a qualified entity for costs and services in review or consideration of a proposed purchase, regardless of whether a qualified obligation is purchased, and fix, revise from time to time, charge and collect other Program Expenses properly attributable to qualified entities;

7. To the extent permitted by the indenture or other agreements with the owners of bonds or notes of the Bond Bank, consent to modification of the rate of interest, time and payment of installments of principal or interest, security or any other term of a bond, note, contract or agreement of any kind to which the Bond Bank is a party;

8. Appoint and employ general or special counsel, accountants, financial advisors or experts, and all such other or different officers, agents and employees as it requires;

9. In connection with any purchase, consider the need for and desirability or eligibility of the qualified obligation to be purchased, the ability of the qualified entity to secure financing from other sources, the costs of such financing and the particular public improvement or purpose to be financed or refinanced with the proceeds of the qualified obligation to be purchased by the Bond Bank;

10. Temporarily invest moneys available until used for making purchases, in accordance with the indenture or any other instrument authorizing the issuance of bonds or notes; and

11. Issue bonds or notes of the Bond Bank in accordance with the Act bearing fixed or variable rates of interest in aggregate principal amounts considered necessary by the Bond Bank to provide funds for any purposes under the Act; provided, that the total amount of bonds or notes of the Bond Bank outstanding at any one time may not exceed any aggregate limit imposed by the Act, currently fixed at $1,000,000,000. Such aggregate limit of $1,000,000,000 does not apply to (i) bonds or notes issued to fund or refund bonds or notes of the Bond Bank; (ii) bonds or notes issued for the purpose of purchasing an agreement executed by a qualified entity under Indiana Code 21-1-5; (iii) bonds, notes, or other obligations not secured by a reserve fund under Indiana Code 5-1.5-5; and (iv) bonds, notes, or other obligations if funds and investments, and the anticipated earned interest on those funds and investments, are irrevocably set aside in amounts sufficient to pay the principal, interest, and premium on the bonds, notes, or obligations at their respective maturities or on the date or dates fixed for redemption.

Under the Act, the Bond Bank may not do any of the following:

1. Lend money other than to a qualified entity;

2. Purchase a security other than a qualified obligation to which a qualified entity is a party as issuer, borrower or lessee, or make investments other than as permitted by the Act;

3. Deal in securities within the meaning of or subject to any securities law, securities exchange law or securities dealers law of the United States, the State or any other state or jurisdiction, domestic or foreign, except as authorized by the Act;

4. Emit bills of credit or accept deposits of money for time or demand deposit, administer trusts or engage in any form or manner, or in the conduct of, any private or commercial banking business or act as a savings bank, savings and loan association or any other kind of financial institution; or

5. Engage in any form of private or commercial banking business.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of seven Directors: the Treasurer of State, serving as Chairman Ex Officio, the Director of the State Department of Financial Institutions, appointed by the Governor and serving as Director Ex Officio, and five Directors appointed by the Governor of the State. Each of the five Directors appointed by the Governor must be a resident of the State and must have substantial expertise in the buying, selling and trading of municipal securities or in municipal administration or public facilities management. Each such Director will serve for a three-year term as set forth below and until a successor is appointed and qualified. Each such Director is also eligible for reappointment and may be removed for cause by the Governor. Any vacancy on the Board is filled by appointment of the Governor for the unexpired term only.

The Directors elect one Director to serve as Vice Chairman. The Directors also appoint and fix the duties and compensation of an Executive Director, who serves as both secretary and treasurer. The powers of the Bond Bank are vested in the Board of Directors, any four of whom constitute a quorum. Action may be taken at any meeting of the Board by the affirmative vote of at least four Directors. A vacancy on the Board does not impair the right of a quorum to exercise the powers and perform the duties of the Board of Directors of the Bond Bank.

Directors

The following persons, including those persons with the particular types of experience required by the Act, comprise the present Board of Directors of the Bond Bank:

Tim Berry, Treasurer of the State of Indiana, February 10, 1999-present, and Chairman Ex Officio. Residence: Indianapolis, Indiana, Member, Indiana State Board Finance; Vice Chairman, Indiana Housing Finance Authority; Secretary-Investment Manager, Indiana Board for Depositories; Member, Governing Board of the Indiana Department of Revenue; Treasurer, Indiana State Office Building Commission; Treasurer, Indiana Recreational Development Commission; Trustee, Indiana State Police Pension Fund; Board Member, Indiana Transportation Finance Authority.

Charles W. Phillips, Director of the Indiana Department of Financial Institutions, 1989 to present, and Director Ex Officio, serving at the pleasure of the Governor. Residence: New Albany, Indiana. Director Ex Officio, Indiana Housing Finance Authority; President, Floyd County Bank, New Albany, Indiana, 1962-1985; Former Examiner, Federal Deposit Insurance Corporation.

Ann E. Kolata, Vice Chairman; term expires July 1, 2001. Residence: Granger, Indiana. Deputy Executive Director of the South Bend Department of Economic Development; Deputy Director, South Bend Department of Redevelopment, 1979-1982; Member, Indiana Planning Association; Board Member, National Association of Housing and Redevelopment Officials, Indiana chapter; Member, American Society for Public Administration; Economic Development Finance Professionals, the National Development Council, 1986.

Joseph T. Morrow, Director; term expires July 1, 2000. Residence: Hammond, Indiana. Attorney; Chairman of the Board, Mercantile National Bank of Indiana, 1979 to present; Chairman of the Board, First National Bank of Illinois, 1979 to present; Chairman of the Board and General Counsel, Home State Bank of Crystal Lake, 1979-present.

Clark H. Byrum, Director; term expires July 1, 2000. Residence: Indianapolis, Indiana. Chairman of the Board and President, The Key Corporation, Indianapolis, Indiana, 1977 to present; Chairman of the Board, American State Bank of Lawrenceburg, Aurora and Greendale, Indiana, 1990 to present; Board Member, NCB Corporation and Norcen Bank, 1986 to present; Member, American Bankers Association; Member, Indiana Bankers Association; Member, National Association of Life Underwriters.

C. Kurt Zorn, Director; term expires July 1, 2000. Residence: Bloomington, Indiana. Professor of Public and Environmental Affairs, Indiana University, 1994 to Present; Chairman, State Board of Tax Commissioners, January 1991-August 1994; Associate Professor, School of Public and Environmental Affairs, Indiana University, 1987-1994 (on leave 1989-1992); Member, American Economic Association; Member, National Tax Association; Member, Governmental Finance Officers Association.

Russell Breeden, III, Director; term expires July 1, 2000. Residence: Indianapolis, Indiana. Chairman of the Board and CEO, Community First Financial Group, Inc., 1993 to present. Director, English State Bank, 1993 to present; Chairman, Peoples Trust Bank Company, 1994 to present; Chairman, Peninsula Banking Group, 1995 to present; Chairman, Bay Cities National Bank, 1995 to present; Director and President, Bettenhausen Motorsports, Inc., 1988 to present.

J. June Midkiff was appointed Executive Director of the Indiana Bond Bank October 12, 1999. Ms. Midkiff served as Director of Economic Development in the Office of Mayor Stephen Goldsmith for the City of Indianapolis for seven years. In that capacity she managed various development projects throughout the city. Prior to joining the Mayor's office, she was Vice President of Merchants National Bank & Trust Company, from 1973-1991, and was responsible for the management of governmental accounts and the cash management division.

REVENUES, FUNDS AND ACCOUNTS

Creation of Funds and Accounts

The Indenture establishes the following Funds and Accounts to be held by the Trustee:

1. General Fund - comprised of the following:
   (a) General Account
   (b) Bond Issuance Expense Account
   (c) Redemption Account

2. Debt Service Reserve Fund

3. Special Reserve Fund

4. Rebate Fund

Deposit of Net Proceeds of the Series 2000A Bonds, Revenues and Other Receipts

On the date of delivery of the Series 2000A Bonds, the Trustee will deposit the proceeds (net of Underwriters' discount) from the sale of the Series 2000A Bonds, and from other monies made available by the Bond Bank as follows:

(a) Into the Bond Issuance Expense Account of the General Fund, an amount sufficient to pay the costs of issuance of the Series 2000A Bonds (other than Underwriters' discount);

(b) Into the Escrow Account under the Escrow Agreement an amount sufficient, along with earnings thereon, to defease and currently refund the Refunded Bonds and permit the release of the Prior Qualified Obligations from the Prior Trust Estate;

(c) Into the General Account of the General Fund, the accrued interest on the Series 2000A Bonds; and

(d) Into the Debt Service Reserve Fund, upon the defeasance of the Refunded Bonds and the release of the Prior Qualified Obligations from the Prior Trust Estate, from amounts currently held in the funds and accounts held by the Prior Trustees pursuant to the Prior Indentures, an amount equal to the Debt Service Reserve Requirement.

The Trustee will deposit all Revenues and all other receipts (except the proceeds of the Series 2000A Bonds, and monies received by the Bond Bank from the sale or redemption prior to maturity of Prior Qualified Obligations) into the General Account of the General Fund and will deposit any monies received from the sale or redemption prior to maturity of the Prior Qualified Obligations into the Redemption Account of the General Fund. Thereafter, the Trustee will deposit the proceeds of any Refunding Bonds as provided under the Supplemental Indenture authorizing the issuance of such Refunding Bonds.

OPERATION OF FUNDS AND ACCOUNTS

General Fund

General Account. The Trustee will deposit in the General Account of the General Fund all monies required to be deposited therein pursuant to the Indenture. The Trustee will invest such funds in accordance with the Indenture and will make the following payments on the specific dates, and if there are not sufficient funds to make all the payments required, with the following order of priority:

(a) On or before 10:00 A.M. in the city in which the Trustee is located, on the business day next preceding each Interest Payment Date, to the Paying Agent such amount as shall be necessary to pay the principal and interest coming due on the Bonds on such Interest Payment Date;

(b) As soon as funds become available, and only to the extent necessary, to the Debt Service Reserve Fund, sufficient amounts to assure that the Debt Service Reserve Requirement is met;

(c) At such times as shall be necessary, the reasonable Program Expenses, if any, provided, that Program Expenses may not exceed the amounts set forth in the most recent Cash Flow Certificate;

(d) At the direction of the Bond Bank, any amount necessary to comply with any Rebate Fund requirements, to the extent such amounts are not assessed as Fees and Charges; and

(e) After making such deposits and disbursements and after the Trustee shall make a determination of the amounts reasonably expected to be received in the form of Qualified Obligation Payments under this Indenture in the succeeding twelve months, to any other fund or account maintained by the Bond Bank, regardless of whether such fund or account is subject to the lien of the Indenture, all monies in the General Fund which, together with such expected receipts for the succeeding twelve months are in excess of the amounts needed to pay principal and interest on the Bonds within the immediately succeeding twelve month period. No monies shall be so transferred unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer, Revenues expected to be received, together with monies expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Bond Issuance Expense Account. Upon receipt of invoices or requisitions acceptable to the Trustee, the Trustee will disburse the amounts held in the Bond Issuance Expense Account upon receipt of invoices or requisitions certified by the Executive Director of the Bond Bank to pay the Costs of Issuance of the Bonds or to reimburse the Bond Bank for amounts previously advanced for such costs and to transfer monies therefrom to the General Account. Any amounts remaining in the Bond Issuance Expense Account ninety (90) days after the issuance of any Series of Bonds will be transferred to the General Account, at which time the Bond Issuance Expense Account may, at the direction of the Bond Bank, be closed.

Redemption Account. The Trustee will deposit in the Redemption Account all monies received upon the sale or redemption prior to maturity of the Qualified Obligations and will disburse the funds in the Redemption Account as follows:

(a) On the fifteenth day of each month, to the General Account amounts of monies equal to the amount of principal which would have been payable during the following month if such Qualified Obligation had not been sold or redeemed prior to maturity.

(b) On the second business day next preceding each Interest Payment Date if monies in the General Account are not sufficient to make the payments of principal and interest required to be made on such date after making all transfers thereto required to be made from the Special Reserve Fund, to the General

Account monies in the Redemption Account not already committed to the redemption of Bonds for which notice of redemption has been given.

(c) After making provisions for the required transfers to the General Account, (i) to redeem Bonds of such maturity or maturities as directed by an authorized officer of the Bond Bank, if such Bonds are then subject to redemption, (ii) to the extent there are any excess monies in the Redemption Account, transfer to the General Account, (iii) to purchase Bonds of such maturity or maturities as directed by an Authorized Officer at the most advantageous price obtainable with reasonable diligence, whether or not such Bonds shall then be subject to redemption, or (iv) to make investments of such monies until the payment of Bonds at their maturity or maturities as directed by an Authorized Officer in accordance with the Indenture. Such purchase price may not, however, exceed the Redemption Price which would be payable on the next ensuing date on which the Bonds of the Series so purchased are redeemable according to their terms unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that the purchase at a price in excess of the Redemption Price will not result in Revenues, together with monies expected to be held in the Funds and Accounts, being less than an amount equal to debt service on all Outstanding Bonds along with Program Expenses, if any. The Trustee shall pay the interest accrued on the Bonds so purchased to the date of delivery thereof to the Trustee from the General Account and the balance of the purchase price from the Redemption Account, but no such purchase shall be made by the Trustee within the period of sixty (60) days next preceding an Interest Payment Date or a date on which such Bonds are subject to redemption under the provisions of the Indenture or the Supplemental Indenture authorizing the issuance of such Bonds. The Trustee shall deliver the Bonds so purchased to the Registrar within five (5) days from the date of delivery to the Trustee.

In the event that the Trustee is unable to purchase Bonds in accordance with subparagraph (c), then, subject to restrictions on redemption set forth in the Indenture, the Trustee will call for redemption on the next redemption date such amount of Bonds of such maturity or maturities directed by an authorized officer of the Bond Bank as will exhaust the Redemption Account as nearly as possible at the applicable redemption price. The Trustee will pay the interest accrued on any such redeemed Bonds to the date of redemption from the General Account and will pay the redemption price from the Redemption Account.

The Trustee may, upon direction of the Bond Bank, transfer any monies in the Redemption Account to the General Account if the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that after such transfer and after any transfer from the General Account to the Bond Bank, Revenues, together with monies expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Debt Service Reserve Fund

The Trustee will deposit in the Debt Service Reserve Fund all monies required to be deposited therein pursuant to the Indenture, will invest such funds, and, except as provided in the Indenture, will disburse the funds held in the Debt Service Reserve Fund solely to the General Account for the payment of interest on an principal of the Bonds, and only in the event that monies in the General Account are insufficient to pay principal of and interest on the Bonds after making all of the transfers thereto required to be made under the Indenture from the Redemption Fund to the Special Reserve Fund have been made. Amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement will be transferred to the General Account of the General Fund.

Special Reserve Fund

The Trustee will disburse the funds held in the Special Reserve Fund as follows:

(a) On the second business day next preceding each Interest Payment Date, if there are not sufficient monies in the General Account to pay the interest or principal coming due on the Bonds, to the General Account to the extent of such deficiency.

(b) As soon as the funds become available, to the Debt Service Reserve Fund sufficient amounts to assure that the Debt Service Reserve Requirement is met.

(c) At such times as are desirable, to any other fund or account maintained by the Bond Bank regardless of whether such fund or account is subject to the lien of the Indenture, so long as the Bond Bank provides the Trustee with a Cash Flow Certificate giving effect to such transfer.

Rebate Fund

The Trustee will establish, designate appropriately and maintain, so long as any Bonds are outstanding and are subject to a requirement that arbitrage profits be rebated to the United States, a separate fund to be known as "The Indiana Bond Bank Special Program Refunding Bond, Series 2000A Rebate Fund." The Trustee shall make information regarding the Bonds and investments hereunder available to the Bond Bank and shall make deposits in and disbursements from the Rebate Fund in accordance with the written instructions received from the Bond Bank and pursuant to the Indenture, shall invest the Rebate Fund pursuant to written investment instructions received from the Bond Bank and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bond Bank, the Trustee shall upon receipt of written directions from the Bond Bank accept such payment for the benefit of the Bond Bank. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon written direction from the Bond Bank transfer such amount to the General Account. Records of the determinations required by the Indenture and the investment instructions must be retained by the Trustee until six (6) years after the Bonds are no longer Outstanding.

Not later than sixty (60) days after January 15, 2005, and every five (5) years thereafter, upon written direction from the Bond Bank, the Trustee shall disburse to the United States the amount required to be paid to the United States pursuant to the Code from amounts in the Rebate Fund. Not later than sixty (60) days after the final retirement of the Bonds, the Trustee, upon direction from the Bond Bank, shall disburse to the United States one hundred percent (100%) of the balance required to be paid to the United States pursuant to the Code from amounts in the Rebate Fund. Each payment required to be paid to the United States pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201 or such other location as the Code shall require. Each payment shall be accompanied by a copy of the Form 8038-T, which the Bond Bank shall prepare or cause to be prepared.

Amounts Remaining in Funds

Any amounts remaining in any Fund or Account after full payment of all of the Bonds outstanding under the Indenture, all required rebates and the fees, charges and expenses of the Trustee will be distributed to the Bond Bank.

LITIGATION

There is not now pending or, to the Bond Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2000A Bonds; seeking to prohibit any transactions contemplated by the Indenture; in any way contesting or affecting the validity of the Series 2000A Bonds or the Prior Qualified Obligations or any proceedings of the Bond Bank taken with respect to the issuance or sale of the Series 2000A Bonds, or the Pledges (as hereinafter defined under the caption "ENFORCEABILITY OF REMEDIES") or application of any moneys or security provided for payment of the Series 2000A Bonds or the Prior Qualified Obligations. Neither the creation, organization or existence of the Bond Bank nor the title of any of the present directors or other officers of the Bond Bank to their respective offices is being contested.

TAX MATTERS

In the opinion of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2000A Bonds is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date of issuance of the Series 2000A Bonds (the "Code"). The opinion of Baker & Daniels is based on certain certifications, covenants and representations of the Bond Bank and the Qualified Entities that issued the Prior Qualified Obligations and is conditioned on continuing compliance therewith. In the opinion of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, under existing law, interest on the Series 2000A Bonds is exempt from income taxation in the State of Indiana for all purposes except the State financial institutions tax and the State inheritance tax. See Appendix C for the form of Bond Counsel opinion.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2000A Bonds as a condition to the exclusion from gross income of interest on the Series 2000A Bonds for federal tax purposes. Noncompliance with such requirements may cause interest on the Series 2000A Bonds to be included in gross income for federal tax purposes retroactive to the date of issue, regardless of the date on which noncompliance occurs. The Bond Bank will covenant, and the Qualified Entities that issued the Prior Qualified Obligations have previously covenanted, not to take any action nor fail to take any action, within their respective power and control, with respect to the Series 2000 A Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2000A Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). Should the Series 2000A Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2000A Bonds would be materially and adversely affected. It is not an event of default under the Indenture or the Authorizing Instruments if interest on the Series 2000A Bonds or the Prior Qualified Obligations, respectively, is not excludable from gross income for federal tax purposes pursuant to any provision of the Code which is not in effect on the date of issuance of the Series 2000A Bonds.

The interest on the Series 2000A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2000A Bonds is includable in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in Indiana Code 6-5.5) which, in general, include all corporations which are transacting the business of a financial institution in Indiana. The franchise tax is measured in part by interest excludable from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code.

Although Bond Counsel will render an opinion that interest on the Series 2000A Bonds is excludable from gross income for federal tax purposes and exempt from certain State taxes, the accrual or receipt of interest on the Series 2000A Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status and the owner's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, "S" corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2000A Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2000A Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2000A Bonds. Except as expressly set forth above, Bond Counsel expresses no opinion regarding any other such tax consequences.

The foregoing does not purport to be a comprehensive description of all of the tax consequences of owning the Series 2000A Bonds. Prospective purchasers of the Series 2000A Bonds should consult their own tax advisors with respect to the foregoing and other tax consequences of owning the Series 2000A Bonds.

ORIGINAL ISSUE DISCOUNT

The initial public offering price of the Series 2000A Bonds maturing on August 1, 2011 and August 1, 2014 (the "Discount Bonds"), is less than the principal amount payable at maturity. As a result, the Discount Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of the Discount Bonds, as set forth on the inside cover of this Official Statement (assuming it is the first price at which a substantial amount of that maturity is sold) (the "Issue Price" for such maturity), and the amount payable at maturity of the Discount Bonds will be treated as "original issue discount." The original issue discount on each of the Discount Bonds is treated as accruing daily over the term of such Discount Bond on the basis of the yield to maturity determined on the basis of compounding at the end of each six-month period (or shorter period from the date of the original issue) ending on February 1 and August 1 (with straight line interpolation between compounding dates). An owner who purchases a Discount Bond in the initial public offering at the Issue Price for such maturity will treat the accrued amount of original issue discount as interest which is excludable from the gross income of the owner of that Discount Bond for federal income tax purposes.

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discount Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discount Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discount Bonds (including sale, redemption or payment at maturity). Owners of Discount Bonds who dispose of Discount Bonds prior to maturity should consult their tax advisors concerning the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bonds prior to maturity.

The original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. Owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in a tax liability from these collateral tax consequences even though the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the Issue Price for such maturity should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discount Bonds. It is possible under the applicable provisions governing the determination of state or local income taxes that accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

AMORTIZABLE BOND PREMIUM

The initial offering price of the Series 2000A Bonds maturing on August 1, 2000, February 1, 2001, February 1, 2002, August 1, 2002, February 1, 2003, February 1, 2004, February 1, 2005, February 1, 2006 and August 1, 2007 (collectively, the "Premium Bonds"), is greater than the principal amount payable at maturity. As a result, the Premium Bonds will be considered to be issued with amortizable bond premium (the "Bond Premium"). An owner who acquires a Premium Bond in the initial offering will be required to adjust the owner's basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. Such adjusted tax basis will be used to determine taxable gain or loss upon the disposition of the Premium Bonds (including sale, redemption or payment at maturity). The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity, with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code. No income tax deduction for the amount of Bond Premium will be allowed pursuant to Section 171(a)(2) of the Code, but amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Premium Bonds. Owners of the Series 2000A Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code. Dealers in tax-exempt securities are urged to consult their own tax advisors concerning the treatment of Bond Premium.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the holders of the Series 2000A Bonds upon a default under the Indenture; to the Trustee or the Bond Bank under the Prior Qualified Obligations, the purchase agreements for the Prior Qualified Obligations and the Authorizing Instruments; or to any party seeking to enforce the pledges securing the Series 2000A Bonds or the Prior Qualified Obligations described herein (collectively the "Pledges"), are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided (or which may be provided) in the Indenture, the purchase agreements for the Prior Qualified Obligations, the Prior Qualified Obligations and the Authorizing Instruments, or to any party seeking to enforce the Pledges, may not be readily available or may be limited. Under Federal and State environmental laws certain liens may be imposed on property of the Bond Bank or the Qualified Entities from time to time, but the Bond Bank has no reason to believe, under existing law, that any such lien would have priority over the lien on the Prior Qualified Obligation Payments pledged to owners of the Series 2000A Bonds under the Indenture or over the liens pledged to the owner of the Qualified Obligations under the Authorizing Instruments.

The various legal opinions to be delivered concurrently with the delivery of the Series 2000A Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by public policy. These exceptions would encompass any exercise of the Federal, State or local police powers in a manner consistent with the public health and welfare. Enforceability of the Indenture, the purchase agreements for the Prior Qualified Obligations, the Authorizing Instruments and the Pledges in a situation where such enforcement may adversely affect public health and welfare may be subject to these police powers.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2000A Bonds are subject to the approval of Baker & Daniels, Indianapolis, Indiana, Bond Counsel, whose approving legal opinion will be delivered with the Series 2000A Bonds, substantially in the form annexed hereto as Appendix C. Certain legal matters will be passed on by Barnes & Thornburg, General Counsel for the Bond Bank, and Krieg DeVault Alexander & Capehart, LLP, Indianapolis, Indiana, counsel for the Underwriters.

RATING

Standard & Poor's Ratings Group, a division of McGraw-Hill ("S&P"), has assigned a rating of "A+" to the Series 2000A Bonds. This rating reflects only the view of S&P and an explanation thereof may be obtained from S&P at 55 Water Street, New York, New York 10041. Such rating is not a recommendation to buy, sell or hold the Series 2000A Bonds. There is no assurance that such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2000A Bonds any proposed revision or withdrawal of the rating of the Series 2000A Bonds or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of rating may have an adverse effect on the market price or marketability of the Series 2000A Bonds.

UNDERWRITING

The Series 2000A Bonds are being purchased by the Underwriters set forth on the inside cover page of this Official Statement. The Underwriters have jointly and severally agreed to purchase the Series 2000A Bonds at an aggregate purchase price of $32,809,321.40 which represents the par amounts set forth on the inside cover hereof, plus net original issue premium of $212,201.40, less an underwriting fee of $262,880.00, plus accrued interest on the Series 2000A Bonds, pursuant to a contract of purchase entered into by and between the Bond Bank and the Underwriters. Such contract of purchase provides that the Underwriters will purchase all of the Series 2000A Bonds if they are purchased. The initial offering price may be changed from time to time by the Underwriters.

The Underwriters have agreed to make a bona fide public offering of all of the Series 2000A Bonds at prices not in excess of the initial public offering prices set forth or reflected inside the cover page of this Official Statement. The Underwriters may sell the Series 2000A Bonds to certain dealers (including dealers depositing Series 2000A Bonds into investments trusts) and others at prices lower than the offering prices set forth inside the cover page hereof.

Banc One Capital Markets, Inc. (“BOCM”) is a broker-dealer and an indirect subsidiary of Bank One Corporation, a multi-bank holding company. Any obligations of BOCM are its sole obligations and do not create any obligations on the part of any affiliate of BOCM, including any affiliated banks.

VERIFICATION OF MATHEMATICAL CALCULATIONS

The accuracy of certain mathematical computations showing that (i) payments on the Qualified Obligations, together with other available revenues, have been structured to be sufficient to pay principal of and interest on the Series 2000A Bonds when due and (ii) the adequacy of the maturing principal of the securities held in escrow to provide for the payment of principal and interest on the Refunded Bonds when due, will be verified by Crowe, Chizek and Company LLP, independent certified public accountants. Such verifications shall be based upon certain information and assumptions supplied by the Bond Bank and the Underwriters.

SERIES 2000A BONDS AS LEGAL INVESTMENTS

Pursuant to the Act, all Indiana financial institutions, investment companies, insurance companies, insurance associations, executors, administrators, guardians, trustees, and other fiduciaries may legally invest sinking funds, money, or other funds belonging to them or within their control in bonds or notes issued by the Bond Bank.

AGREEMENT WITH STATE

The Act provides that the State will not limit or restrict the rights vested in the Bond Bank to fulfill the terms of any agreement made with the owners of the Series 2000A Bonds or in any way impair the rights or remedies of the owners of the Series 2000A Bonds for so long as the Series 2000A Bonds are outstanding.

AVAILABILITY OF DOCUMENTS AND FINANCIAL INFORMATION

Separate audited financial reports of the State and the Bond Bank, respectively, (collectively, the “Financial Reports”) are prepared annually and are presently available for the year ended June 30, 1998, and prior years. No financial reports related to the foregoing entities are prepared on an interim basis and there can be no assurance that there have not been material changes in the financial position of the foregoing entities since the date of the most recent available Financial Statements. Upon request and receipt of payment for reasonable copying, mailing and handling charges, the Bond Bank will make available copies of the most recent Financial Reports, any authorizing or governing instruments defining the rights of owners of the Series 2000A Bonds or the owners of the Qualified Obligations and available financial and statistical information regarding the Bond Bank and the Qualified Entities. Requests for documents and payments therefor should be directed and payable to the Indiana Bond Bank, 2980 Market Tower, 10 West Market Street, Indianapolis, Indiana 46204.

CONTINUING DISCLOSURE

Pursuant to disclosure requirements set forth in Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the State will agree to provide or cause to be provided through the Trustee or the Bond Bank, as dissemination agent, certain annual financial information and operating data described below.

Pursuant to the terms of the State's Continuing Disclosure Undertaking Agreement (the "Undertaking"), the State will agree to provide the following information as long as the State is an "obligated person" (within the meaning of the Rule) with respect to the Bonds (or until such time as the Bonds may be defeased, all as more fully set forth in the Undertaking):

1. Audited Financial Statements. To each nationally recognized municipal securities information repository ("NRMSIR") then in existence and to the Indiana state information depository then in existence, if any (the "State Depository"), when and if available, the audited financial statements of the State for each fiscal year of the State, beginning with the fiscal year ending June 30, 1999, together with the independent auditor's report and all notes thereto; if audited financial statements are not available within 210 days following the close of the fiscal year of the State, beginning with the fiscal year ending June 30, 1999, the Annual Information (as defined below) shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Information when they become available; and

2. Financial Information in this Official Statement. To each NRMSIR then in existence and to the State Depository within 210 days following the close of the fiscal year of the State, beginning with the fiscal year ending June 30, 1999, annual financial information, other than the audited or unaudited financial statements described above, including operating data of the type provided in Appendix A – "FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA."

(The information described in items 1 and 2 above is referred to as the "Annual Information.")

Pursuant to the terms of the Undertaking, the Bond Bank will also agree to provide to each NRMSIR or to the Municipal Securities Rulemaking Board, and to the State Depository, the following event notices, if material, and in a timely manner:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- modifications to the rights of Bondholders;
- Bond calls (other than scheduled mandatory sinking fund redemptions for which notice is given in accordance with the Indenture and as described in the Final Official Statement);
- defeasances;
- release, substitution or sale of property securing repayment of the Bonds; and
- rating changes.

The State and Bond Bank may from time to time choose to disseminate other information including other annual information or notice of the occurrence of certain other events, in addition to those listed above. If the State and Bond Bank choose to provide any such additional information, they will have no obligation to update such information or include it in any future Annual Information or Event Notice ("Event Notice").

Neither the State or Bond Bank have failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual information or notices of material events.

Failure to Disclose

In a timely manner, the Trustee shall notify each NRMSIR or the Municipal Securities Rulemaking Board, and the State Depository of any failure on the part of the State to provide the Annual Information. If any information relating to the State can no longer be provided because the operations to which they related have been materially changed or discontinued, a statement to that effect, provided by the State to each NRMSIR then in existence and to the State Depository along with the Annual Information required as specified above and containing such information as is still available, will satisfy such party's undertaking to provide the Annual Information. To the extent available, such party will cause to be filed along with the Annual Information operating data similar to that which can no longer be provided.

Accounting Principles

The accounting principles pursuant to which the financial statements of the State will be prepared will be generally accepted accounting principles, as in effect from time to time or those mandated by State law from time to time.

Remedy

The Undertaking is solely for the benefit of the holders and Beneficial Owners of the Bonds and creates no new contractual or other rights of the SEC, any underwriter (other than the Underwriters), brokers, dealers, municipal securities dealers, potential customers, other obligated persons or any other third party. The sole remedy against the State or the Bond Bank for any failure to carry out any provision of the Undertaking shall be for specific performance of the State's disclosure obligations under the Undertaking. Failure on the part of the State or the Bond Bank to honor its covenants thereunder shall not constitute a breach or default of the Bonds, the Indenture or any other agreement to which the State or the Bond Bank, or any instrumentality or officer thereof, is a party.

The remedy set forth in the preceding paragraph may be exercised by the Trustee or any holder or Beneficial Owner of the Bonds who may seek specific performance by court order to cause the State or the Bond Bank to comply with its obligations under the Undertaking.

Modification of Undertaking

The Bond Bank, State and the Trustee may, from time to time, amend or modify any provision of the Undertaking without the consent of the holders or the Beneficial Owners of the Bonds if: (a)(i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Bond Bank or the State, or type of business conducted, (ii) the Undertaking, as so amended or modified, would have complied with the requirements of the Rule on the date of the Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or modification does not materially impair the interest of the holders or Beneficial Owners of the Bonds as determined either by (a) any person selected by the State that is unaffiliated with the State (including the Counterparty as Trustee under the Indenture) or (b) is approved by the holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the holders, or (c) such amendment or waiver (including an amendment which rescinds the Undertaking) is permitted by the Rule.

The Annual Information for the fiscal year during which any such amendment or waiver occurs that contains the amended or waived Annual Information will explain, in narrative form, the reasons for such amendment or waiver and the impact of the change in the type of information being provided in the Annual Information.

Copies of the Undertaking are available from the Bond Bank upon request.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2000A Bonds, the security for the payment of the Series 2000A Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Underwriters; following delivery of the Series 2000A Bonds, copies of such documents may be examined at the offices of the Bond Bank.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinions or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is submitted in connection with the issuance and sale of the Series 2000A Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the Qualified Entities, the Trustee, the Registrar and Paying Agent or the Underwriters and the purchasers or owners of any Series 2000A Bonds. The delivery of this Official Statement has been duly authorized by the Board of Directors of the Bond Bank.

INDIANA BOND BANK

By: /s/ Tim Berry
Tim Berry, Chairman, Ex Officio

Dated: January 19, 2000

Appendix A

Financial and Economic Statement for the State of Indiana

APPENDIX A

FINANCIAL AND ECONOMIC STATEMENT FOR THE STATE OF INDIANA

TABLE OF CONTENTS

INTRODUCTION

This Financial and Economic Statement (the "Statement") for the State of Indiana (the "State") includes a discussion of the State's current condition, the results of operations for the past five years and projections through the end of the 2000 – 2001 biennium ending June 30, 2001. The Statement is dated January 1, 2000. It contains information and projections that are current only through that date and includes a discussion of major fiscal decisions made by the 1999 General Assembly including adoption of a new state budget for the 2000 – 2001 biennium. The information has been compiled on behalf of the State by the Indiana State Budget Agency and includes information and data taken from the Agency's unaudited year-end budget reports. It also includes information obtained from other sources the State believes to be reliable. Information included in the section titled "Litigation" has been furnished by the office of the State Attorney General.

The State expects to update the entire Statement at least annually after the close of each Fiscal Year (as defined herein). The State also expects to issue updates and supplements after release of new State revenue or spending forecasts, adoption of the State budget or passage of major legislation affecting State finances. The status of this Statement or any updates or supplements may be obtained by contacting the Indiana State Budget Agency, Room 212, State House, Indianapolis, IN 46204, Tel: (317) 232-5610. This Statement should be read in its entirety together with any updates or supplements.

The General Purpose Financial Statements of the State of Indiana for the Fiscal Year Ended June 30, 1999 are Exhibit A-1 to this Appendix A.

STRUCTURE OF STATE GOVERNMENT

Division of Powers

The State constitution divides the powers of the State's government into three separate departments: the executive (including the administrative), the legislative and the judicial. Under the State constitution, no person in any one department may exercise any function of another department unless expressly authorized to do so by the constitution.

Executive Department

The executive department of the State is comprised of the Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, Attorney General, Superintendent of Public Instruction and Clerk of the Supreme Court and Court of Appeals. All are elected for four-year terms, with the terms of the Lieutenant Governor, Attorney General and Superintendent of Public Instruction coinciding with that of the Governor.

The State constitution requires the Governor to "take care that the laws are faithfully executed." The Governor may recommend legislation to the General Assembly of the State (the "General Assembly"), may call special sessions of the General Assembly and may veto any bill passed by the General Assembly (although such veto may be overridden if the bill is re-passed by a majority of *all* the members elected to each house of the General Assembly). There are approximately 400 boards and agencies which are responsible to the Governor. If the Governor vacates the office or is unable to discharge the Governor's duties, the Lieutenant Governor discharges the powers and duties as Acting Governor until the next general election.

The Lieutenant Governor serves as the President of the State Senate and casts the deciding vote whenever the Senate is equally divided. The Lieutenant Governor also serves as director of the State Department of Commerce and as the Commissioner of Agriculture.

The Secretary of State attests official State documents issued by the Governor, maintains records of elections and administers State laws regulating the sale and trading of securities and corporate and Uniform Commercial Code filings.

The State Treasurer is responsible for holding and investing all State revenues and disburses money upon warrants issued by the State Auditor. The State Treasurer is a member of the State Board of Finance, Indiana Transportation Finance Authority, Indiana Housing Finance Authority, Indiana Development Finance Authority and State Office Building Commission. The State Treasurer is Secretary-Investment Manager of the State Board for Depositories and chairs the Indiana Bond Bank and Indiana Education Savings Authority.

The State Auditor maintains the State's centralized financial accounting system for all State agencies. Responsibilities include accounting for receipts and disbursements of the State, as well as issuing payroll for most State employees. The State Auditor is required by statute to prepare and publish annual statements of State funds, outlining receipts and disbursements of each State department and agency. The State Auditor is a member of the State Board of Finance, State Office Building Commission, State Board for Depositories and Data Process Oversight Commission.

The Attorney General is the chief legal officer of the State and is required to represent the State in every lawsuit in which the State is a party. The Attorney General, upon request, gives legal opinions regarding particular statutes to the Governor, members of the General Assembly and officers of the State.

The Superintendent of Public Instruction chairs the State Board of Education, which establishes policies and directives for implementation by the Indiana Department of Education. The Superintendent of Public Instruction oversees the Department of Education.

The Clerk of the Supreme Court and Court of Appeals performs the clerical and administrative duties required by the two highest courts of the State.

Legislative Department

The legislative authority of the State is vested in the General Assembly, which is comprised of the House of Representatives and the Senate. The House of Representatives consists of 100 members who are elected for two-year terms beginning in odd-numbered years. The Senate consists of 50 members who are elected for four-year terms, with one-half of the Senate elected biennially. The Speaker presides over the House of Representatives. The Speaker is selected by the members of the House of Representatives from among their ranks. The Lieutenant Governor is President of the Senate.

By law, the term of each General Assembly extends for two years, beginning in November of each even-numbered calendar year. The first regular session of every General Assembly occurs in the following odd-numbered year, convening not later than the second Monday in January and adjourning not later than April 29. The second regular session occurs in the following year, convening not later than the second Monday in January and adjourning not later than March 14.

Pursuant to the State constitution, special sessions of the General Assembly may be convened by the Governor at any time if, in the Governor's opinion, "the public welfare shall require." By statute, a special session of the General Assembly may not exceed 30 session days during a 40 calendar-day period. The Governor cannot limit the subject of any special session or its scope.

Judicial Department

The State constitution provides that the "judicial power of the State shall be vested in one Supreme Court, one Court of Appeals, Circuit Courts, and such other courts as the General Assembly may establish."

The Judicial Nominating Commission (comprised of the Chief Justice or his appointee, three attorneys elected by the attorneys of Indiana and three non-attorney citizens appointed by the Governor) evaluates the qualifications of potential candidates for vacant seats on the Supreme Court and Court of Appeals. When a vacancy occurs in either court, the Judicial Nominating Commission submits the names of three nominees and the Governor selects one of the three. If the Governor fails to choose among the nominees within 60 days, the Chief Justice is required to make the appointment.

The initial term of each newly appointed justice and judge is two years, after which the justice or judge is subject to a "yes" or "no" referendum at the time of the next general election. For justices of the Supreme Court, the entire State electorate votes on the question of approval or rejection. For Court of Appeals judges, the referendum is by district. Those justices and judges receiving an affirmative vote from the voting public serve a ten-year term, after which they are again subject to referendum. Justices and judges are prohibited from taking part in political campaigns and must retire by age 75.

FISCAL POLICIES

Fiscal Years

The State's Fiscal Year is the 12-month period beginning on July 1 of each calendar year and ending on June 30 of the succeeding calendar year (a "Fiscal Year").

Accounting System

The State maintains a central accounting system which processes all payments for State agencies and institutions with the exception of State colleges and universities. The State Auditor is responsible for the pre-audit of all payments, the issuance of all State warrants and the maintenance of the State-wide accounting system.

Budgetary control is fully integrated into the accounting system. Legislative appropriations are entered into the system as an overall spending limit by account for each agency within each fund, but appropriations are not available for expenditure until allotted by the Budget Agency. Allotments authorize an agency to spend a portion of its appropriation. The Budget Agency makes quarterly allotments.

The accounting system is maintained using the cash basis of accounting. At year-end, accruals are recognized as necessary to convert from the cash basis to the modified accrual basis of accounting in accordance with generally accepted accounting principles for financial reporting purposes. The general purpose financial statements of the State for the Fiscal Year ended June 30, 1999, together with the independent auditors' report thereon, are included in the General Purpose Financial Statements of the State of Indiana for the Fiscal Year Ended June 30, 1999, attached hereto as Exhibit A-1. See "FINANCIAL RESULTS OF OPERATIONS — Combined General and PTR Fund."

Fund Structure

Funds are used to record the activities of State government. There are three major fund types: Governmental, Proprietary and Fiduciary.

Governmental Funds

Governmental Funds are used to account for the State's general governmental activities and use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). Expenditures are recorded when the related fund liability is incurred, except that (i) unmatured interest on general long-term debt is recognized when due and (ii) certain compensated absences and related liabilities and claims and judgments are recognized when the obligations are expected to be liquidated. Governmental Funds include the following fund types:

The <u>General Fund</u> is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund.

<u>Special Revenue Funds</u> are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. There are several Special Revenue Funds including, for instance, the Motor Vehicle Highway Fund, which receives revenues from gasoline taxes and motor vehicle registrations and operator licensing fees and distributes those revenues among the State and its counties, cities and towns to be used for the construction, reconstruction, improvement, maintenance and policing of highways and secondary roads.

The Property Tax Replacement Fund ("PTRF" or "PTR Fund") is also reported by the State Auditor as a Special Revenue Fund. The PTRF is funded from 40% of State sales and use tax revenues and a portion of corporate adjusted gross income tax receipts. The Property Tax Replacement Fund is used to provide (i) property tax relief and (ii) local school aid. Although reported as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTRF with those of the General Fund, so as to provide the most complete and accurate description possible of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For that reason, the General Fund and PTRF are sometimes discussed in this Appendix A as a single, combined fund. See "FINANCIAL RESULTS OF OPERATIONS — Combined General and PTR Fund."

Debt Service Funds are used to account for the accumulation of resources and payment of bond principal and interest from special revenue component units which are both corporate and politic and have the legal authority to issue bonds to finance certain improvements within the State.

Capital Projects Funds are used to account for financial resources to be used by the State for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Capital Projects Funds include the Post War Construction Fund, Build Indiana Fund, Soldiers and Sailors Children's Home Fund, Veterans Home Fund, State Police Building Commission Fund, Law Enforcement Academy Building Fund, Interstate Bridge Fund and Major Construction-Indiana Army National Guard Fund.

Proprietary Funds

Proprietary Funds use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Proprietary Funds include the following fund types:

Enterprise Funds are used to account for operations established to provide services to the general public in a manner similar to private business enterprises. Cost of providing the goods or services are financed or recovered primarily through user charges. Enterprise Funds include the Inns and Concessions Fund, Toll Bridges Fund, Toll Roads Fund, State Lottery Commission Fund, Malpractice Insurance Authority Fund and Political Subdivision Insurance Fund.

Internal Service Funds are used to account for the operations of State agencies which render goods or services to other agencies or governmental units on a cost-reimbursement basis. Internal Service Funds include the Institutional Industries Fund, Administration Services Rotary Fund, State Office Building Commission Fund, Recreational Development Commission Fund and Self-Insurance Funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds, and they are broken down into four broad categories:

Expendable Trust Funds. The State maintains various Expendable Trust Funds to account for resources the State holds as a trustee. The principal and earnings on this fund type may be used for purposes designated by trust agreement. Expendable Trust Funds include the Unemployment Funds and Health Insuring Organization Funds.

Non-Expendable Trust Funds. The State maintains a limited number of Non-Expendable Trust Funds to account for resources the State holds as a trustee. The principal must be preserved and only the earnings may be used for purposes designated by trust agreement. The most significant Non-Expendable Trust Fund is the Common School Fund. The Common School Fund was established by the State constitution and is comprised of fines, forfeitures and escheated estates. Interest on the Common School Fund may only be used to aid local schools.

Pension Trust Funds. The State maintains pension funds for State and local officers and employees and accounts for each type of pension in a separate fund. Such funds are accounted for in the same way as Proprietary Funds. See "STATE RETIREMENT SYSTEMS."

Agency Funds account for resources which are custodial in nature. Agency Funds generally include amounts held by the State on behalf of third parties. Agency Funds include the Deferred Compensation Fund, Institutional Funds, Department of Insurance Fund and State Police Employee Insurance Fund.

Account Groups

In addition to the fund types described above, the General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for use by the State for general governmental purposes, including all fixed assets except those accounted for in Proprietary and Pension Trust Funds. Public domain fixed assets, including highways, curbs, lighting systems, highway land and rights-of-way, are not included.

The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Budget Process

The State Budget Agency is responsible for preparing the State budget. After the State budget is enacted, the Budget Agency has extensive statutory authority to administer it. The chief executive officer of the Budget Agency is the State Budget Director, who is appointed by the Governor. The Governor also appoints two Deputy Budget Directors; by law, the deputies must be of different political parties.

Budget Committee. The State Budget Committee consists of the State Budget Director and four senior State legislators. The Committee oversees the preparation of the budget and its administration after enactment. The legislative members of the Committee consist of two members of the Senate, appointed by the President *pro tempore*, and two members of the House of Representatives, appointed by the Speaker. One of the two appointees from each house must be nominated by the minority floor leader. Four alternate members of the Budget Committee must be legislators selected in the same manner as regular members. An alternate member participates and has the same privileges as a regular member, except that an alternate member votes only if the regular member from the alternate member's respective house and political party is not present. The legislators serve as liaisons between the executive and legislative departments and provide fiscal information to their respective caucuses.

Budget Development. The State's budget process is set out in statute. The State operates under a biennial budget. On or before the first day of September in each even-numbered year, all State agencies, including State-supported higher education institutions and public employee and teacher pension fund trustees, submit budget requests to the Budget Agency. The Budget Agency then conducts an internal review of each request.

In September of each even-numbered year, the Budget Committee begins hearings on each budget request. After presentations by the agencies and the Budget Agency, the Budget Committee makes budget recommendations to the Governor. The Budget Committee's recommendations are tentative, pending review of revenue projections for the next biennium, which typically are available late in the second quarter of the Fiscal Year.

Revenue Projections. Revenue projections are prepared by the Indiana Economic Forecast Committee and the Technical Forecast Committee. The Economic Forecast Committee is responsible for forecasting independent variables which may be employed by the Technical Forecast Committee to derive the State's revenue projections. The Economic Forecast Committee is currently comprised of seven economists within the State and a special adviser associated with the Federal Reserve Bank of Chicago, all of whom serve at the request of the Governor and without pay. Members of the Economic Forecast Committee have detailed knowledge of the State and national economies, the banking community and the Federal Reserve System and have access to a national econometric model.

The Technical Forecast Committee is responsible for developing econometric models used to derive the State's revenue projections and for monitoring changes in State and federal laws that may have an impact on State revenues. Each regular member of the Budget Committee appoints a member of the Technical Forecast Committee. Members of the Technical Forecast Committee are individuals with expertise in public finance from within State and local government, business interest groups and State-supported higher education institutions.

No formal contact occurs between the Economic Forecast Committee and the Technical Forecast Committee until the chair of each group reports to the Budget Committee. However, the Economic Forecast Committee does provide the economic assumptions used by the Technical Forecast Committee in preparing the State's revenue projections. The report presented by the Technical Forecast Committee is a consensus forecast in which Democratic and Republican legislators and the executive and legislative departments are involved.

Budget Report. The budget report and budget bill are prepared by the Budget Committee with the Budget Agency's assistance. The budget report and bills are based upon the recommendations and estimates prepared by the Budget Agency and the information obtained through the hearings and other inquiries. In the event the Budget Agency and a majority of the members of the Budget Committee differ upon any item, matter or amount to be included in the budget report and bills, the recommendation of the Budget Agency is included in the budget bills. The particular item, matter or amount, and the extent of and reasons for the differences between the Budget Agency and the Budget Committee, must be stated fully in the budget report.

Before the second Monday of January in the year immediately after their preparation, the Budget Committee submits the budget report and bill to the Governor. The Governor then delivers such budget bills to the Budget Committee members appointed by the Speaker of the House of Representatives for introduction in the House. Although there is no law that requires a budget bill to originate in the House, by tradition, the House passes budget bills first and sends them to the Senate for consideration.

The budget report includes at least these five parts: (a) a statement of policy, (b) a general summary, (c) detailed data on actual receipts and expenditures for the previous budget period, (d) a description of the capital improvement program for the State and (e) the budget bill.

Appropriations

By statute, the Budget Committee is required to meet at least once during the two-month period after the adjournment of each regular session of the General Assembly and, beginning in July, at least once each month and upon call of the chair.

Appropriations. Within 45 days following the adjournment of each regular session of the General Assembly or within 60 days following a special session of the General Assembly, the Budget Agency is required to prepare a list of all appropriations made for the budget period beginning on July 1 following such session, or for such other period as may be provided in the appropriation. The State Budget Director is required to prepare a written review and analysis of the fiscal status and affairs of the State as affected by the appropriations. The report is forwarded to the Governor, the State Auditor and each member of the General Assembly.

On or before the first day of June of each calendar year, the Budget Agency is required to prepare a list of all appropriations made for expenditure or encumbrance during the next Fiscal Year. The State Auditor then establishes the necessary accounts based upon the list.

Transfers. The Budget Agency is responsible for administering the State budget after it is enacted. The Budget Agency may transfer, assign or reassign all or any part of any appropriation made to any agency for one specific use or purpose to another use or purpose, except any appropriation made to the Indiana State Teachers' Retirement Fund. The Budget Agency may take such action only if the transfer, assignment or reassignment is to meet a use or purpose which an agency is required or authorized by law to perform. The agency whose appropriation is involved must approve the transfer, assignment or reassignment.

Contingency Appropriations. The General Assembly may also make "contingency appropriations" to the Budget Agency. Contingency appropriations are general and unrelated to any specific State agency. In the absence of other directions imposed by the General Assembly, contingency appropriations must be for the general use of any agency of the State and must be for its contingency purposes or needs, as the Budget Agency in each situation determines. The Budget Agency fixes the amount of each transfer and orders the transfer from such appropriations to the agency. By law, the Budget Agency may make and order allocations and transfers to, and authorize expenditures by, the various State agencies to achieve the purposes of such agencies or to meet the following:

1. necessary expenditures for the preservation of public health and for the protection of persons and property that were not foreseen when appropriations were last made;

2. repair of damage to, or replacement of, any building or equipment owned by the State which has been so damaged so as to materially affect the public safety or utility thereof, or which has so deteriorated as to become unusable if such deterioration was not foreseen when appropriations were last made;

3. emergencies resulting from an increase in costs or any other factor or event that was not foreseen when appropriations were last made, or

4. without limiting the foregoing, supplementation of an exhausted fund or account of any State agency, whatsoever the cause of such exhaustion, if such is found necessary to accomplish the orderly administration of the agency, or the accomplishment of an existing specific State project. (No such funds may authorize a purpose which was included in the budget bills to the previous General Assembly but was wholly omitted by the General Assembly.)

These provisions may not change, impair or destroy any fund previously created nor affect the administration of any contingency appropriations previously or subsequently made for specific purposes.

State Board of Finance

The State Board of Finance (the "Board") consists of the Governor, the State Treasurer and the State Auditor. The Board elects from its membership a president, who by tradition is the Governor. By law, the State Auditor is the secretary of the Board. The Board is responsible for supervising the fiscal affairs of the State and has advisory supervision of the safekeeping of all funds coming into the State treasury and all other funds belonging to the State coming into the possession of any State agency or officer. The Board may transfer money between State funds, except trust funds, and the Board may transfer money between appropriations for any State board, department, commission, office or benevolent or penal institution.

The Board has statutory authority to negotiate loans on behalf of the State for the purpose of meeting "casual deficits" in State revenues. A loan may not be for a period longer than four years after the end of the Fiscal Year in which it is made. If sufficient revenues are not being received by the General Fund to repay the loan when due, the Board may levy a tax on all taxable property in the State sufficient to pay the amount of the indebtedness. The Board has never exercised its authority to levy a tax.

Rainy Day Fund

In 1982, the General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund, which is commonly called the "Rainy Day Fund." The Rainy Day Fund was established to permit the State to collect and maintain substantial general purpose tax revenues during periods of economic expansion for use during periods of economic recession. In effect, the Rainy Day Fund is a statutorily required State savings account.

Each year the State Budget Director determines calendar year Adjusted Personal Income ("API") for the State and its growth rate over the previous year. API is determined by dividing the calendar year State personal income (excluding transfer payments made in the State) by the implicit price deflator for the Fiscal Year ending in the aforementioned calendar year; the result is multiplied by 100. The annual growth rate in API for a particular calendar year is calculated by dividing the difference between API for such year and API for the immediately preceding calendar year by the amount of API for the immediately preceding calendar year. This change in API is the sole factor in determining whether General Fund revenues are transferred to the Rainy Day Fund or whether moneys in the Rainy Day Fund revert to the General Fund. In general, moneys are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2.0%; moneys are removed automatically from the Rainy Day Fund if API declines by more than 2.0%.

By law, "automatic" appropriations to and from the General Fund are determined as follows:

1. If the growth rate of API for the calendar year immediately preceding the current calendar year is greater than 2.0%, an amount is appropriated from the General Fund for the Fiscal Year beginning in the current calendar year which equals the total General Fund revenues for the Fiscal Year ending in the current calendar year, multiplied by the growth rate in API less two percentage points.

2. If API declines by more than 2.0% for the calendar year immediately preceding the current calendar year, the amount appropriated to the General Fund for the Fiscal Year beginning in the current calendar year equals total General Fund revenues for the Fiscal Year ending in the current calendar year, multiplied by the decline in API less two percentage points.

During a Fiscal Year when a transfer is made to the Rainy Day Fund, if General Fund revenues are less than estimated (and the shortfall cannot be attributed to a statutory change in the tax rate, tax base, fee schedules or revenue sources from which the revenue estimates were made), an amount reverts to the General Fund from the Rainy Day Fund equal to the lesser of (a) the amount initially transferred to the Rainy Day Fund during the Fiscal Year and (b) the amount necessary to balance the General Fund budget for the Fiscal Year.

All earnings from the investment of the Rainy Day Fund balance remain in the Rainy Day Fund. Moneys in the Rainy Day Fund at the end of the Fiscal Year do not revert to the General Fund. If the balance in the Rainy Day Fund at the end of the Fiscal Year exceeds 7.0% of total General Fund revenues for the Fiscal Year, the excess is transferred from the Rainy Day Fund into the PTRF.

See "FINANCIAL RESULTS OF OPERATIONS — Fund Balances — Rainy Day Fund" and Table 3 for further discussion of Rainy Day Fund balances and transfers.

Cash Management and Investments

The State Treasurer is responsible for the receipt, custody and deposit of all moneys paid into the State Treasury and keeps daily accounts of all funds received into the Treasury and all moneys paid out of it. The State Treasurer is responsible for investing the General Fund, PTRF, Rainy Day Fund and more than 60 other funds.

Interest bearing demand accounts are maintained in three Indianapolis banks to clear State warrants and to compensate for banking services rendered. Deposits are made directly by the State Treasurer or by State departments and agencies for credit to the State Treasury. Except for such demand accounts, all State funds are invested. Repurchase agreements are used for short-term cash management purposes and must be fully collateralized by certain obligations of the United States government or its agencies (determined on the basis of current market value). The majority of investments are obligations backed by the full faith and credit of the United States and certificates of deposit in Indiana financial institutions; however, the State Treasurer is also authorized to invest in obligations issued by agencies and instrumentalities of the United States. Rates on certificates of deposit are established by prevailing market conditions. Deposits are subject to coverage by the Indiana Public Deposit Insurance Fund in the event of depository closure; provided that the deposits were invested according to the investment requirements of Indiana Code 5-13.

Pursuant to State statute, the Treasurer may invest no more than 25% of the State's portfolio in securities with a final maturity exceeding five years. The remainder of the portfolio may not have final maturities exceeding two years.

Audits

The State Board of Accounts was created by the General Assembly in 1909 as a separate State agency, with the responsibility and authority to (a) audit all State and local units of government and (b) approve uniform systems of accounting for such governments.

The State Board of Accounts performs its financial and compliance audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United

States. The State Board of Accounts issues its opinion on the fairness of financial statements and their conformity to generally accepted accounting principles for the State agencies and local units of governments it audits, including the State general purpose financial statements prepared by the State Auditor. See Exhibit A-1, including the Independent Auditor's Report therein.

STATE BUDGET PROFILE

Operating Revenues

While certain revenues of the State are required by law to be credited to particular funds other than the General Fund, the requirement is primarily for accounting purposes and may be changed. Substantially all State revenues are general revenues until applied. No lien or priority is created to secure the application of such revenues to any particular purpose or to any claim against the State. All revenues not allocated to a particular fund are credited to the General Fund. The general policy of the State is to close each Fiscal Year with a surplus in the General Fund and a zero balance in all other accounts, except for certain dedicated and trust funds and General Fund accounts reimbursed in arrears.

Although established by law as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTRF with those of the General Fund to provide a complete and accurate description of State receipts and discretionary expenditures, especially as those expenditures relate to local school aid. For this purpose, the combined receipts are referred to as State Operating Revenues ("Operating Revenues"). Operating Revenues are defined as the total of General Fund and PTRF revenues including certain revenues transferred from lottery and gaming accounts together with DSH revenues transferred to the General Fund. DSH revenues are extra Medicaid reimbursements provided to the State for hospitals which serve disproportionately large numbers of poor people. Total Operating Revenues are used in the determination of the State's unappropriated balance reflected on the Combined General and PTR Fund Unappropriated Reserve Statement. See "FINANCIAL RESULTS OF OPERATIONS — Combined General and PTR Fund."

Table 1 shown below summarizes actual Operating Revenues for the Fiscal Years ended June 30, 1995 through June 30, 1999 (the "Discussion Period"), as well as the Budget Agency's projected Operating Revenues for the Fiscal Years ending June 30, 2000 and June 30, 2001. The revenues summarized herein are derived from the Budget Agency's unaudited end-of-year working balance statements. See "FINANCIAL RESULTS OF OPERATIONS," including Tables 5 and 6.

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Table 1
State Operating Revenues
(millions of $)

	Actual					Projected	
	FY 95	FY 96	FY 97	FY 98	FY99	FY 00	FY 01
Individual Income Tax							
General Fund[1]	$2,767.7	$2,966.3	$3,196.5	$3,434.8	$3,699.3	$3,823.4	$4,085.1
Sales and Use Tax							
General Fund	1,656.6	1,751.2	1,921.8	1,933.8	2,023.0	2,116.2	2,210.9
Property Tax Replacement Fund	1,153.1	1,215.0	1,191.1	1,317.1	1,373.0	1,458.4	1,523.8
Subtotal	$2,808.7	$2,966.2	$3,112.9	$3,250.9	$3,396.0	$3,574.6	$3,734.7
Corporate Income Tax							
General Fund	$ 888.6	$ 881.9	$ 899.2	$ 938.1	$972.3	$1,027.9	$1,072.2
Property Tax Replacement Fund	61.8	100.1	100.1	77.4	72.1	30.0	30.0
Subtotal	$ 950.4	$ 982.0	$ 999.3	$1,015.5	$1,044.4	$1,057.9	$1,102.2
Other - General	780.1	655.9	736.2	780.7	743.5	722.4	719.7
TOTAL GF And PTRF	$7,306.9	$7,570.4	$8,044.9	$8,481.9	$8,883.2	$9,178.3	$9,641.7

Note: Fiscal Year ended June 30

(1) Amounts projected by the Revenue and Technical Forecast Committee on December 15, 1999 have been adjusted for Fiscal Year 2000 and 2001 for revenue reductions enacted by the 1999 and 2000 General Assembly. (See "STATE BUDGET PROFILE, Revenue Reductions")

Source: State Budget Agency

Sales and use, and corporate and individual income taxes are the three primary sources of State Operating Revenues. In Fiscal Year 1999, combined revenues from those sources comprised about 91.6% of total State Operating Revenues. The following is a summary description of each of those revenue sources. See "FINANCIAL RESULTS OF OPERATIONS," including Table 5.

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Individual Adjusted Gross Income Tax

Adjusted gross income (federal adjusted gross income modified by adding back certain federal adjustments and subtracting certain federal exemptions and deductions) of residents and non-residents derived from Indiana sources is taxed at 3.4%.

All revenues derived from the collection of the adjusted gross income tax imposed on persons are credited to the General Fund. For Fiscal Year ended June 30, 1999, the $3,434.8 million in receipts from the adjusted gross income tax on individuals constituted approximately 41.6% of total State Operating Revenues. State individual income tax rates were last increased effective for Calendar Year 1988.

Sales and Use Taxes

A 5.0% sales tax is imposed on sales and rentals of tangible personal property and the sale of certain services, including the furnishing of public utility services and the rental or furnishing of public accommodations such as hotel and motel room rentals. In general, the complementary 5.0% use tax is imposed upon the storage, use or consumption of tangible personal property in the State. Some of the major exemptions from the sales and use taxes are sales of certain property to be used in manufacturing, agricultural production, public transportation or governmental functions, sales for resale, food sold in grocery stores and prescription drugs.

Of the receipts collected, 59.2% of the sales and use taxes are credited to the General Fund, 40.0% to the PTRF, 0.8% to the Public Mass Transportation Fund and 0.04% to the Industrial Rail Service Fund.

For Fiscal Year ended June 30, 1999, the $3,396.0 million in receipts from the sales and use taxes deposited in the General Fund and PTRF constituted approximately 38.2% of State Operating Revenues. The State sales and use tax rate was last increased in Fiscal Year 1983.

Corporate Income Taxes

There are three major corporate income taxes: the gross income tax, the adjusted gross income tax and the supplemental net income tax. Corporations are generally subject to both the gross income tax and the adjusted gross income taxes; however, as a result of a statutory credit provision, corporations annually pay an amount equal to the greater of the liabilities computed under the gross income tax and the adjusted gross income tax, plus the supplemental net income tax. There is also a financial institutions tax.

Subject to certain exemptions, the gross income tax is generally imposed on the gross receipts of corporations (and certain other taxpayers) which derive income from business within the State. While there are generally no deductions allowed for costs, losses or expenses, some taxpayers (including certain insurance companies, credit companies, wholesale grain and soybean dealers, wholesale grocers, livestock dealers and livestock slaughterers) are taxed on a gross "earnings" basis. In general, receipts from sales made in interstate commerce are exempt.

Gross receipts subject to the gross income tax are taxed at one of two rates, depending upon the transaction being taxed. The lower rate (0.3%) is imposed on receipts from retail sales, wholesale sales, display advertising, dry cleaning and other activities. The higher rate (1.2%) is imposed on all receipts which are not specifically defined to be taxed at the lower rate, including receipts from certain rentals, service income, utility services, earnings on intangibles and sales of realty. All gross income tax receipts are credited to the General Fund.

The adjusted gross income tax is generally applicable to corporations doing business in the State. The tax rate is 3.4% of adjusted gross income derived from sources within the State. Adjusted gross income is federal taxable income with certain additions and subtractions. Certain international banking facilities and insurance companies, S corporations and tax-exempt organizations (to the extent their income is exempt for federal tax purposes) are not subject to the adjusted gross income tax.

Part of the adjusted gross income tax collections is allocated to the General Fund on the basis of a statutory formula and the balance is credited to the PTRF. See "FISCAL POLICIES — Governmental Funds."

The supplemental net income tax is imposed on all corporations subject to the adjusted gross income tax and on certain domestic insurance companies. The 4.5% tax rate is applied to the supplemental net tax base of the taxpayer. The supplemental net tax base is Indiana adjusted gross income less the greater of (a) the amounts paid under the adjusted gross income tax and (b) the amount paid under the gross income tax. There are no deductions or exemptions under the supplemental net income tax; however, the corporate gross income tax credits apply. All receipts from the supplemental net income tax are credited to the General Fund.

The financial institutions tax is imposed on each corporation that is transacting the "business of a financial institution" in Indiana. The financial institutions tax is a franchise tax on financial institutions, at a rate of 8.5% of adjusted or apportioned income, for the privilege of exercising their franchise or transacting business within the State. Certain exemptions from and credits against the financial institutions tax are available. A taxpayer subject to the financial institutions tax is exempt from the corporate gross income, adjusted gross income and supplemental net income taxes and State banking taxes. All receipts from the financial institutions tax are credited to the Financial Institutions Tax Fund. By statutory formula, a substantial amount of the moneys in such fund must be transferred to counties for distribution to the taxing units within the counties. The remainder is transferred to the General Fund.

For Fiscal Year ended June 30, 1999, corporate income and financial institutions tax receipts totaled $1,044.4 million and constituted approximately 11.8% of State Operating Revenues. State corporate income tax rates were last increased effective for Calendar Year 1987.

Other Operating Revenues

Other Operating Revenues are derived from Cigarette Taxes, Alcoholic Beverage Taxes, Inheritance Taxes, Insurance Taxes, Interest Earnings and miscellaneous revenue. Revenue from these sources together totaled about $743.5 million or about 8.4% of total Operating Revenues in Fiscal Year 1999.

Revenue Growth

Individual and corporate income tax receipts, as well as sales and use tax receipts, increased in each Fiscal Year of the Discussion Period. Annual percentage increases for each component of Operating Revenues are reflected in Table 2 shown below. The growth in State Operating Revenues over the Discussion Period reflects the strong State economy. In April, 1999, the Economic Forecast Committee raised projected real growth in GDP for 1999 to approximately 3%, reduced growth in the first half of 2000 due to a modest Year 2000 adjustment, and then stabilized projected growth at a 2.9% rate. Projected growth in Operating Revenues for Fiscal Years 1999 – 2001 reflect this assessment.

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Table 2
Growth in State Operating Revenues
(by percentage)

Fiscal Year	Individual Income Tax Revenue	Sales and Use Tax Revenue	Corporate Income Tax Revenue	Other Revenue	Total Revenue
1995	8.9	8.0	19.0	12.3	8.4
1996	7.2	5.6	3.3	-15.9	3.6
1997	6.4(1)	4.9	1.8	12.2	6.3
1998	7.5	4.4	1.6	8.9	5.7
1999	7.7	4.5	2.9	3.2	5.5
Average					
FY95-FY99	7.5	5.5	5.7	4.1	5.9
2000 projected	3.4(2)	5.3	1.3(2)	-2.8(2)	3.3
2001 projected	6.8(2)	4.5	4.2(2)	-0.4(2)	5.0
Average					
FY00-FY01	5.1%	4.9%	2.8%	-1.6%	4.2%

(1) The State received an additional estimated $41.8 million of individual income tax receipts in Fiscal Year 1997 which are not reflected above, but are reflected in Tables 1 and 5. These additional receipts resulted from refunds that would ordinarily have been made in Fiscal Year 1997 but which were actually made in Fiscal Year 1998.

(2) Represents projected growth rates after adjusting for a number of tax reductions enacted by the 1999 and 2000 General Assembly. (See “STATE BUDGET PROFILE, Revenue Reductions” below)

Source: State Budget Agency

Revenue Reductions

State tax rates were not increased at any time during the Discussion Period. As a result of continuing strong growth in State revenues and record reserves and balances, the 1999 General Assembly enacted targeted tax cuts that will result in reductions in income taxes. In addition, in November, 1999, the General Assembly met for five days (which will be counted as 2000 session days) and enacted a reduction in the State financial institutions tax. See “STATE BUDGET PROFILE — Corporate Income Taxes.” The tax cuts enacted by the 1999 and 2000 General Assemblies are projected to decrease total combined State balances and reserves. (See "FINANCIAL RESULTS OF OPERATIONS – Combined State Balances and Reserves ") A summary of the tax cuts and other actions of the 1999 General Assembly follows:

- An increase in the renter's deduction from $1,500 to $2,000 per year. It is estimated this will decrease individual income tax receipts by $10.7 and $10.9 million for Fiscal Years 2000 and 2001 respectively.

- An increase in the exemption for school age dependents from $1,500 to $2,500 per year. It is estimated this will decrease individual income tax receipts by $57.9 and $58.6 million for Fiscal Years 2000 and 2001 respectively.

- An increase in the deduction from $1,000 to $1,500 for persons age 65 and older who earn less than $40,000 annually. It is estimated this will decrease individual income tax receipts by $8.7 and $8.9 million for Fiscal Years 2000 and 2001 respectively.

- A change to turn the State earned income tax deduction for families earning $12,000 or less enacted by the 1997 General Assembly into a refundable tax credit. It is projected this will effectively decrease net receipts by $3.4 million for each of Fiscal Years 2000 and 2001.

- A change to allow an exemption for the first $15,000 assessed value in personal property, including inventory, from the property tax. It is estimated this change will decrease net collections by $41.2 and $84.2 million for Fiscal Years 2000 and 2001 respectively.

- A change to allow businesses and farmers to deduct 100% of property tax payments from State taxable income and allow homeowners to deduct up to $2,500 in property taxes from State taxable income. It is estimated these changes will decrease net collections by $138.4 and $146.5 million for Fiscal Years 2000 and 2001 respectively.

The 1999 General Assembly also shifted certain welfare costs from counties to the State. It is estimated this change will increase State distributions by $21.8 and $46.4 million for Fiscal Years 2000 and 2001 respectively.

A summary of the actions of the 2000 General Assembly, which occurred in November, 1999, follows:

- a reduction in the State financial institutions tax. It is projected this will effectively decrease net receipts by $5.0 million for each of Fiscal Years 2000 and 2001.

- This General Assembly also extended a research and development tax credit that was set to expire in 1999. As a result, the tax credit did not expire and corporate tax collections will not increase by an estimated $3.1 million for Fiscal Years 2000 and 2001.

Lottery and Gaming Revenues

By statute, certain revenues from the Hoosier Lottery and the riverboat gaming wagering tax, horse racing pari-mutual wagering tax and charity gaming taxes and license fees (collectively, "Gaming Revenues") must be deposited in the Lottery and Gaming Surplus Account (the "Surplus Account") of the Build Indiana Fund, which was established by the General Assembly in 1989 when the Hoosier Lottery was authorized and began operations.

From Fiscal Year 1990 through June 30, 1999, $2,184 million of Gaming Revenues have been transferred to the State. In Fiscal Year 1999, Gaming Revenues totaling $410.8 million were deposited in the Surplus Account from the following sources:

Hoosier Lottery	$175.2 million(1)
Riverboat gaming	213.6 million
Horse racing	3.6 million
Charity gaming	7.5 million
Interest earnings	10.9 million

(1) The $175.2 million does not include $40.0 million of Hoosier Lottery revenues that were dedicated to State and local pension relief — $30.0 million to the State Teachers' Retirement Fund and $10.0 million to the Local Police and Fire Pension Relief Fund — before Hoosier Lottery revenues were transferred to the Surplus Account. Therefore, total lottery revenues for Fiscal Year 1999 were $215.2 million. The 1999 General Assembly increased transfer of Hoosier Lottery revenues for pension relief from $40.0 million to $60.0 million. Beginning with Fiscal Year 2000, $60 million of Hoosier Lottery revenues will be dedicated to State and local pension relief — $30.0 million to the State Teachers' Retirement Fund and $30.0 million to the Local Police and Fire Pension Relief Fund — before Hoosier Lottery revenues are transferred to the Surplus Account. See "STATE RETIREMENT SYSTEMS."

Source: State Budget Agency.

All Gaming Revenues are appropriated by the General Assembly, and the statute that governs deposits of those revenues also governs priority of distribution in the event that revenues fall short of appropriations. At present, the highest distribution priority is to the State's counties for motor vehicle excise tax replacement providing for a substantial cut in the excise tax charged on motor vehicles -- estimated at $219.8 million for Fiscal Year 2000, the first year of the current biennium.

Second priority distributions are currently made to the Indiana Technology Fund -- $76.0 million for Fiscal Years 2000 – 2001 including $63.5 million to help schools and libraries expand their technological capabilities and $2 million for the Intelenet Commission for continued development of the State computer "backbone."

In addition, the General Assembly made a number of one-time appropriations for the biennium from the Surplus Account -- $50 million for the 21st Century Research and Technology Fund, $20 million to help Indiana public television stations convert to digital television and $40 million for community wastewater and drinking water grants and loans.

Finally, remaining Gaming Revenues are made available to fund State and local capital projects, as authorized by the General Assembly. For the 2000 – 2001 biennium, $89.1 million was appropriated for about 1223 projects.

Gaming revenues are not included in State Operating Revenues. However, gaming revenues represent a significant source of discretionary income to the State. It has been State policy that gaming revenues not be used to fund operating expenses of the State. For that reason, gaming revenues are potentially available to relieve temporary pressures on the State budget should shortfalls in general purpose tax revenues occur. It is estimated that after deduction of the appropriations explained above, there will still be an unobligated balance in the Surplus Account on June 30, 2001 of $655.7 million.

The State's 2000-2001 Biennial Budget

A strong economy and growth in the State's balances and reserves during the Discussion Period permitted the State to increase combined General Fund and PTRF appropriations for essential governmental services and strategic economic investments for the 2000-2001 biennium. Those appropriation increases for the next biennium can be described in three broad categories:

- those reflecting the State's commitment to invest in primary, secondary and higher education.
- public safety, including increased spending on corrections and law enforcement.
- those aimed at aggressively addressing the unfunded liability of the State Teachers' Retirement Fund; during the Discussion Period, substantial General Funds and other revenues have been appropriated to fund the Pension Stabilization Fund. The budget passed by the General Assembly for the 2000-2001 biennium include $250 million for the Pension Stabilization Fund. See "STATE RETIREMENT SYSTEMS — State Teachers' Retirement Fund."

For Fiscal Year 2000, appropriations for the five largest functional categories total $7,706.7 million, or about 80.5% of the General Fund - PTR Fund combined total. Following is a discussion of those five largest categories. Numbers are derived from the Budget Agency's biennial List of Appropriations and unaudited working statements. See "FINANCIAL RESULTS OF OPERATIONS," including "Table 5, Combined General and PTR Fund."

Local School Aid. The State's largest operating appropriations — payable from both the General Fund and PTRF — is for local school aid. Local school aid includes distributions for programs such as assessment and performance in addition to direct tuition support. As a matter of long-standing fiscal policy, the General Assembly funds increases in local school aid above the base by appropriating one-half of the increases from the General Fund and one-half of such increases from the PTRF. The General Assembly established the State's calendar year 1972 funding level as a base for local school aid.

Local school formula funding for direct tuition support on a school by school basis increased by an average of 4.7% for calendar year 2000 with no school corporation receiving an increase of less than 2.5%. Combined local school aid appropriations for Fiscal Year 2000 from the General Fund – PTRF total $3,893.5 million and constitute 40.7% of combined General Fund -PTRF appropriations. However, as a result of lower than expected local property tax collections and higher than expected school enrollments, projected distributions to local schools under the school formula exceed the appropriation for Fiscal Year 2000 and 2001 by about $68 million.

When similar situations have occurred in the past, the State has considered two options: Distributions to local schools can be reduced on a pro-rata basis so that total distributions will not exceed total appropriations, or, the June, 2000 payment to local schools can be reduced so that total distributions for Fiscal Year 2000 do not exceed appropriations, and then the July payment can be increased to "make up" for the June shortfall. If this option is chosen, the 2001 General Assembly will be asked to pass a deficiency appropriation for Fiscal Year 2001 to cover the shortfall. No decision has been made on how the State will respond to this projected appropriation shortfall.

Higher Education. The second largest operating expenditure, payable solely from the General Fund, is aid to higher education. Higher education aid includes appropriations to State-supported higher education institutions equal to debt service due on qualified debt of such institutions. See "Fee Replacement Appropriations to State Universities and Colleges" below. General Fund appropriations for higher education for Fiscal Year 2000 total $1,331.5 million and constitute 13.9% of combined General and PTR Fund appropriations. This represents an increase for Higher Education of about $83.5 million, or 6.7%, over actual Fiscal Year 1999 spending.

Fee Replacement Appropriations to State Universities and Colleges

Since Fiscal Year 1976, the General Assembly has appropriated to each State university and college an amount equal to the annual debt service requirements due on qualified outstanding Student Fee and Building Facilities Fee Bonds and other amounts due with respect to debt service and debt reduction for interim financings (collectively, "Fee Replacement Appropriations"). The annual Fee Replacement Appropriations are not pledged as security for such bonds and other amounts. Under the State constitution, the General Assembly cannot bind subsequent General Assemblies to continue the present Fee Replacement Appropriations policy; however, it is anticipated that the present policy will continue for outstanding bonds and notes.

The (a) estimated aggregate principal amount of bonds and notes issued by State universities and colleges and outstanding on June 30, 1998, which is eligible for Fee Replacement Appropriations, and (b) amount of Fee Replacement Appropriations with respect thereto for Fiscal Year 2000 is shown below.

	Estimated Amount of Debt Outstanding	Fiscal Year 2000 Fee Replacement Appropriation
Ball State University	$ 33,976,559	$ 7,554,324
Indiana University(1)	421,767,372	46,085,240
Indiana State University	56,875,000	6,127,781
Indiana Vocational Tech College	49,970,980	8,331,324
Purdue University(2)	232,042,088	30,193,684
University of Southern Indiana	38,788,101	3,620,135
Vincennes University	20,197,462	2,863,491
Total	$ 853,617,562	$104,775,979

(1) Includes its regional campuses other than Indiana University-Purdue University at Fort Wayne.
(2) Includes its regional campuses other than Indiana University-Purdue University at Indianapolis.

Source: Indiana Commission for Higher Education.

Medicaid. The third largest operating expenditure — payable solely from the General Fund — is the State's share of Medicaid assistance. Medicaid expenditures increased in Fiscal Year 1997 after decreasing in Fiscal Year 1996, but then declined again in Fiscal Year 1998. Medicaid expenditures increased in Fiscal Year 1999 and the General Assembly increased appropriations for Fiscal Years 2000 and 2001 by about 3.3% and 5% respectively. Therefore, the State's share of spending for Medicaid was expected to total approximately $970.4 million in Fiscal Year 2000, approximately 10.1% of combined General and PTR Fund spending.

However, the State now believes that spending for Medicaid may increase more rapidly in the 2000-2001 biennium largely due to the state's aggressive effort to enroll children in the Comprehensive Health Initiative Program (CHIP). In December, 1999, the Department of Family and Social Services increased the State's Medicaid expenditure forecast so that expected expenses now exceed appropriations by $52 million for Fiscal Year 2000 and by $108.6 million for Fiscal Year 2001. To cover the expected appropriation shortfall, the State has a Medicaid Reserve Account which on June 30, 1999 had a balance of $219.9 million. See "FINANCIAL RESULTS OF OPERATIONS — Medicaid Reserve." In addition, the State Budget Agency has the authority to draw additional funds from the General Fund to augment the Medicaid appropriations as need to meet actual expenses.

Property Tax Relief. The fourth largest operating expenditure—payable solely from the PTRF — is for property tax relief. Spending for property tax relief, including the Homestead Credit, is expected to total $1,015.9 million in Fiscal Year 2000, about 10.6% of combined General Fund-PTRF appropriations.

Corrections. The fifth largest operating expenditure, payable almost entirely from the General Fund, is for the Department of Corrections. To meet a growing prison population, the 1997 General Assembly authorized the State Office Building Commission to issue bonds to finance the construction of: (1) Phase I of the Miami Correctional Facility, an additional medium security facility to provide 1,400 beds for adult males in Miami County, Indiana; (2) an additional 350 bed correctional facility for male juveniles near Pendleton, Indiana; and, (3) a special needs facility with 1,800 beds to be converted from an existing State institution near New Castle, Indiana. In addition, the 1999 General Assembly authorized the State Office Building Commission to issue bonds to finance Phase II of the Miami Correctional Facility. (See "STATE INDEBTEDNESS — Authorized but Unissued Debt.") Phase I of the Miami Correctional Facility was completed in July, 1999. As additional facilities are placed into use, increased operating appropriations will be required. Largely for this reason, appropriations for Corrections for Fiscal Year 2000 total $495.4 million, an increase over actual Fiscal Year 1999 spending of about 16.8%. Corrections appropriations equal about 5.2% of combined General Fund-PTRF appropriations for Fiscal Year 2000.

Other. The balance of State expenditures is comprised of spending for a combination of other purposes, the principal ones being the costs of institutional care and community programs for persons with mental illnesses and developmental disabilities, State administrative operations, the State's share of public assistance payments, the General Fund's one-half share of State Police costs, State economic development programs and General Fund expenditures for capital budget needs of the State. For Fiscal Year 2000 other combined General Fund-PTRF appropriations total $1,871.7 million. This constitutes approximately 19.5% of combined General and PTR Fund appropriations for all purposes.

Transfers. In addition to direct General Fund expenditures, transfers may be made out of or into the General Fund. The principal transfers are (a) from the General Fund to the PTRF and the Rainy Day Fund or (b) from the Rainy Day Fund to the PTRF and the General Fund. See "FISCAL POLICIES — Rainy Day Fund" and "FINANCIAL RESULTS OF OPERATIONS" including Table 5.

Year 2000 Computer Remediation

In Fiscal Years 1997-2000, the State dedicated substantial funding and aggressively pursued a plan designed to insure that all computer hardware and software and related electronic devices were Year 2000 compliant. On January 1, 2000 the State experienced only very minor Year 2000 computer problems. Although the State may continue to periodically experience minor problems, it is believed the State's computer hardware and software are now largely Year 2000 compliant. Sufficient funds are available to address any problems should they arise.

FINANCIAL RESULTS OF OPERATIONS

Fiscal Management

Indiana's fiscal policy is aimed at building and maintaining strong unappropriated balances and reserves in its Rainy Day and combined General and PTR Fund, while adequately funding essential governmental functions, wisely managing debt issuance; and aggressively addressing unfunded liabilities in State pension, or retirement systems, especially the State Teachers' Retirement Fund. See also "STATE RETIREMENT SYSTEMS."

The State has four primary funds that build or hold unappropriated reserves: the Rainy Day Fund, Tuition Reserve, Combined General and PTR Fund and the Medicaid Reserve Accoumt. Each of these funds is described below.

Fund Balances

Rainy Day Fund. One of three primary funds into which general purpose tax revenues are deposited, the Rainy Day Fund is a statutorily required State savings account that permits the State to collect and maintain substantial revenues during periods of economic expansion for use during periods of economic recession. As described under "FISCAL POLICIES — Rainy Day Fund," access to and balances in the Rainy Day Fund are determined by statutory formula, subject to future General Assembly action. The Rainy Day Fund has been funded at the maximum permitted by law in each of the last four Fiscal Years. The Rainy Day Fund is currently funded at the maximum allowable balance, $524.7 million. The Budget Agency projects that the actual balance will increase to the projected maximum allowable balance of $535.1 million for Fiscal Year 2000 and increase to $559.7 million, $2.7 million less than the maximum allowable balance, for Fiscal Year 2001. The State has never had any automatic withdrawals from the Rainy Day Fund to the General Fund. Rainy Day Fund balances are reflected on Table 3.

Table 3
Rainy Day Fund
Schedule of Cash Flow
(millions of $)

	Actual					Projected	
	1995	1996	1997	1998	1999	2000(1)	2001
Beginning Cash Balance	$370.3	$ 419.3	$ 439.5	$ 466.1	$ 496.1	$ 524.7	$ 535.1
Interest Earned(2)	18.2	18.8	25.7	27.2	27.5	23.6	24.1
Loans Made from Fund(3)	-	-	-	-	-	-	-
Sale Proceeds(4)	0.9	0.9	0.7	0.5	0.5	0.5	0.5
Net Transfers(5)	29.9	0.6	0.2	2.4	.6	(13.7)	-
Ending Cash Balance(6)	$419.3	$439.5	$ 466.1	$ 496.1	$ 524.7	$ 535.1	$ 559.7
Maximum Allowable Fund Balance	$ 419.3	$439.5	$ 466.1	$ 496.1	$ 524.7	$ 535.1	$ 562.4
Loans Outstanding(7)	$ 3.3	$ 2.8	$ 2.1	$ 1.4	$ .8	$ 0.3	-

Notes: Totals may not add as a result of rounding.
Fiscal Years ended June 30

(1) Revenues upon which transfers are projected are those projected by the Technical Forecast Committee on December 15, 1999; expenditures are those authorized by the 1999 General Assembly. Amounts are merely projections, and actual results may differ materially from such projections. Factors that could cause actual results to differ materially from projections include future economic conditions in Indiana, including retail sales,

individual income and corporate income in Indiana and future changes to Indiana's tax laws and appropriations by the General Assembly.

(2) Interest assumed at 4.5% for Fiscal Years 2000 – 2001; includes interest payments received on loans made.

(3) Reserved to reflect loans made out of the Rainy Day Fund during the Fiscal Year indicated. No loans were made during the Discussion Period, and no projections of loans are made for Fiscal Years 2000 – 2001.

(4) Payments of principal received on loans made plus proceeds of the sale of a loan made to the City of Indianapolis, as more fully described in note 7.

(5) Net Transfers reflect: (a) in Fiscal Year 1995, a $29.9 million transfer from the General Fund; (b) in Fiscal Year 1996, a $106.7 million transfer from the General Fund and a $106.1 million transfer to the PTRF; (c) in Fiscal Year 1997, a $19.8 million transfer from the General Fund and a $19.6 million transfer to the PTRF; (d) in Fiscal Year 1998, a $21.1 million transfer from the General Fund and $18.7 million transfer to the PTRF; (e) in Fiscal Year 1999, a $140.9 million transfer from the General Fund and a $140.3 million transfer to the PTRF; (f) in Fiscal Year 2000, a projected $13.7 million transfer to the PTRF; and (h) in Fiscal Year 2001, there are no projected transfers.

(6) The amount of loans outstanding is not reflected in the ending cash balance statements.

(7) From time to time, the General Assembly has authorized the State Board of Finance to lend moneys in the Rainy Day Fund to specified local governments for specified purposes. The aggregate amount of loans authorized by the General Assembly totaled $55.3 million; however, loans of only $37.7 million, including one at no interest, were actually made. In February 1993, the General Assembly caused the State Board of Finance to sell, at par plus deferred and accrued interest, the loan made from the Rainy Day Fund to the City of Indianapolis. The sale proceeds — approximately $33.4 million (including interest) — were deposited in the Rainy Day Fund. No further loans or grants from the Rainy Day Fund have been authorized by the General Assembly; however, future General Assemblies may authorize loans or grants from the Rainy Day Fund.

Source: State Budget Agency.

Tuition Reserve. The Tuition Reserve is essentially a cash flow device that is intended to ensure that local school aid payments are timely. Pursuant to State statute, prior to each June 1, the Budget Agency is required to estimate and formally establish the reserve for the ensuing Fiscal Year. The Tuition Reserve was maintained at $120.0 million from Fiscal Year 1977 through Fiscal Year 1988; however, the State steadily increased the amount of the Tuition Reserve in each of Fiscal Years 1989 through 1999. The Tuition Reserve is expected to be set at $270.0 million for Fiscal Years 2000 and 2001.

Table 4
Tuition Reserve
(millions of $)

Actual					Projected	
FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
$ 200.0	$ 215.0	$ 240.0	$ 240.0	$ 255.0	$ 270.0	$ 270.0

Note: For Fiscal Year ended June 30

Source: State Budget Agency

Combined General and PTR Fund. The PTRF was created by statute in Fiscal Year 1973. It is funded from 40% of revenues from the State sales and use tax and a portion of corporate adjusted gross income tax receipts. The PTRF is used for two purposes: first, to replace local property tax levies ("PTRF Credits"), which were reduced by the same statute that created the PTRF; and, second, for local school aid. To the extent that the PTRF does not have sufficient revenues to make authorized payments, General Fund transfers may be made to the PTRF. In Fiscal Year 1998, $596.2 million was transferred from the General Fund to balance the PTRF. It is expected that substantial General Fund transfers will also be required in future Fiscal Years.

The General Fund and the PTRF are the primary funds into which general purpose tax revenues, or Operating Revenues, are deposited or transferred. Although reported as a special revenue fund, it is helpful to combine the receipts and disbursements of the PTRF with those of the General Fund to provide a more complete and accurate description of the State's Operating Revenues and discretionary spending, especially for local school aid and property tax relief. Therefore, the General Fund and the PTRF are sometimes discussed in this Appendix A as a single, combined fund.

This discussion, and Table 5, summarize the actual results of State operations for the Discussion Period, as well as the Budget Agency's projected financial results of operations for the Fiscal Years ending June 30, 1999 – 2001, for the combined General and PTR Fund.

The financial results summarized in this discussion are derived from the Budget Agency's unaudited end-of-year working balance statements. The working balance statements are a listing of revenues, expenditures and unappropriated (or working) balances at the end of each Fiscal Year, before adjustment to the modified accrual basis of accounting. As a result, the working balance statements may differ from the results included in the State Auditor's annual reports.

There is not a significant difference in the method of accounting between the working balance statements and the annual reports. Expenditures on the working balance statements include continuing appropriations that were unspent at the end of each Fiscal Year. The unappropriated balance is the cumulative excess of revenues over expenditures on the working balance statements.

Table 5
Combined General and PTR Fund
(millions of $)

	Actual					Projected	
	1995	1996	1997	1998	1999	2000(1)	2001(1)
Revenues(2)							
Sales and Use Taxes	$2,786.1	$2,942.3	$3,112.9	$3,250.9	$3,396.0	$3,574.6	$3,734.7
Adjusted Gross Income Tax-Individuals	2,767.7	2,966.3	3,196.5	3,434.8	3,699.3	3,823.4	4,085.1
Corporate Income Taxes	950.4	982.0	999.3	1,015.5	1,044.4	1,057.9	1,102.2
Other Taxes	307.4	299.1	321.7	340.8	373.9	362.4	364.7
Total Taxes	$ 6,811.6	$7,189.7	$7,630.4	$8,042.0	$8,483.6	$8,818.3	$ 9,286.7
Interest Income	92.1	141.1	146.5	178.8	169.0	155.0	160.0
Other Revenue (3)	748.2	239.6	268.0	261.1	288.1	281.3	280.6
Total Revenue	$ 7,651.9	$7,570.4	$8,044.9	$8,481.9	$8,940.7	$9,254.6	$ 9,727.3
Expenditures							
Local School Aid	$ 2,997.6	$2,961.1	$3,092.2	$3,423.1	$3,691.8	$3,893.5	$ 4,103.3
Higher Education	1,006.9	1,104.2	1,101.8	1,180.5	1,248.0	1,331.5	1,389.7
PTRF Credits	846.7	784.3	822.1	873.3	946.7	1,015.9	1,069.6
Medicaid	873.9	860.9	931.3	913.3	948.5	970.4	1,018.9
All Other (4)	1,297.6	1,513.8	1,958.9	1,908.2	2,285.1	2,367.1	2,478.8
Subtotal Expenditures	$ 7,022.7	$7,224.3	$7,906.3	$8,298.4	$9,120.1	$9,606.9	$10,133.2

Less: Reversions	-	-	-	-	86.8	20.0	20.0
Total Expenditures	$7,022.7	$7,224.3	$7,906.3	$8,298.4	$9,033.3	$9,586.9	$10,113.2
Excess (Deficiency) of Revenues over Expenditures	629.2	346.1	138.6	183.5	(92.6)	(332.3)	(385.9)
Less: Transfers to (from) Rainy Day Fund	29.9	0.6	0.2	2.4	.6	(7.7)	(0.0)
Total Transfers	29.9	$ 0.6	$ 0.2	$ 2.4	$ .6	$ (7.7)	$ (0.0)
Increase (Decrease) in Fund Balance	$ 599.3	$ 360.5	$ 138.4	$ 181.1	$ (93.2)	$ (324.6)	$ (385.9)
Beginning Balance (5)	$ 280.0	$ 879.3	$1,239.8	$1,378.2	$1,559.3	$1,466.1	$ 1,141.5
Ending Balance (5)	$ 879.3	$1,239.8	$1,378.2	$1,559.3	$1,466.1	$1,141.5	$ 755.6

(1) Revenues are those projected by the Revenue and Technical Forecast Committee on December 15, 1999; expenditures are those authorized by the 1999 and prior General Assemblies. Amounts are merely projections, and actual results may differ materially from such projections. Important factors that could cause actual results to differ materially from projections include future economic conditions in Indiana, including retail sales, individual income and corporate income in Indiana and future changes to Indiana's tax laws and appropriations by the General Assembly.

(2) Amounts projected by the Revenue and Technical Forecast Committee on December 15, 1999 have been reduced for Fiscal Years 2000 and 2001to reflect revenue reductions enacted by the 1999 and 2000 General Assemblies. (See "STATE BUDGET PROFILE – Revenue Reductions")

(3) Also includes refunds of prior year expenditures, reimbursements of prior year expenditures, return of escrows to the General Fund and prior year revenue transferred to the General Fund in Fiscal Year 1996. Also includes $345.0 million of extraordinary revenues in Fiscal Year 1995 — $155.0 million transferred from a prior Medicaid reserve, $50.6 million of federal reimbursements of administrative and program expenses of the State Family and Social Services Administration, $85.1 million transferred upon dissolution of a court-ordered, litigation-related escrow fund and $54.3 million of court and related fee revenues that could have been transferred to the General Fund in prior Fiscal Years.

(4) Includes $72.2 million adjustment to surplus for Fiscal Year 1999 for prior year expenditures.

(5) Includes a $200.0 million Tuition Reserve for Fiscal Year 1995 (actual), a $215.0 million Tuition Reserve for Fiscal Year 1996 (actual), a $240.0 million Tuition Reserve for Fiscal Year 1997 (actual), a $240.0 million Tuition Reserve for Fiscal Year 1998 (actual), a $255.0 million Tuition Reserve for Fiscal Year 1999 (actual), and a $270.0 million Tuition Reserve for Fiscal Years 2000 and 2001 (projected).

Notes: Fiscal Year Ended June 30
Totals may not add as a result of rounding.

Source: State Budget Agency.

Combined State Balances and Reserves

The State's total "Balances and Reserves" are defined as the balances in the combined General and PTR Fund, together with the balances in the Rainy Day Fund and the Tuition Reserve. To reflect the real level of Balances and Reserves on a continuing basis, they are expressed as a percent of Operating Revenues. Table 6 sets forth a history of total state Balances and Reserves compared to Operating Revenues for the past ten years and projections for Fiscal Years 2000 – 2001.

Table 6
Combined State Reserves and Balances
(in millions of $)

State Fiscal Year	Combined Property Tax-General Fund	Tuition Reserve	Rainy Day Fund	Total Balances	Operating Revenues	Balance as a % of Operating Revenues
			actual			
1990	372.2	144.0	318.0	834.2	5,491.3	15.2%
1991	109.4	155.0	323.0	587.4	5,560.6	10.6%
1992	138.9	165.0	328.6	632.5	5,784.5	10.9%
1993	9.7	180.0	300.6	490.3	6,098.6	8.0%
1994	90.0	190.0	370.3	650.3	6,720.1	9.7%
1995	679.3	200.0	419.3	1,298.6	7,277.0	17.8%
1996	1,024.8	215.0	439.5	1,679.3	7,569.8	22.2%
1997	1,138.2	240.0	466.1	1,844.3	7,937.8	23.2%
1998	1,319.3	240.0	496.1	2,055.4	8,481.9	24.2%
1999	1,211.1	255.0	524.7	1,990.8	8,940.7	22.3%
			projected			
2000	810.3	270.0	535.1	1,615.5	9,158.9	17.6%
2001	401.0	270.0	559.7	1,230.8	9,631.1	12.8%

Source: State Budget Agency
Notes: Projected balances are based on the revenue forecast dated December 15, 1999.
Totals may not add due to rounding

Since Fiscal Year 1989, the state's Balances and Reserves have dropped below 10% of Operating Revenues only twice, in Fiscal Years 1993 and 1994 when such balances represented approximately 8.0% and 9.7% of Operating Revenue respectively. After Fiscal Year 1994, total balances and reserves grew significantly reaching a record 24.2% of Operating Revenues on June 30, 1998.

The 1999 General Assembly enacted a number of targeted tax reductions and spending increases that were projected to decrease total combined balances and reserves. In November, 1999, the General Assembly also met for five days (which will be counted as 2000 session days) and enacted an additional tax reduction and extended an existing tax credit both of which are also projected to decrease total combined balances and reserves. (See "STATE BUDGET PROFILE – Revenue Reductions, and The State's 2000-2001 Biennial Budget".) All of the tax reductions and spending increases enacted by the 1999 General Assembly and the 2000 General Assembly (in November, 1999) combined, are expected to cause combined balances on June 30, 2001 to decrease to $1,321.5 billion.

Balanced Budget for the 2000-2001 Biennium

Although the Budget Agency has projected a decline in total combined balances and reserves over the 2000-2001 biennium of approximately $760 million, each of Fiscal Years 2000 and 2001 reflects a current year surplus of operating revenues over operating expenses. This is because a significant portion of the expected "spending down" of balances and reserves was due to one-time appropriations that do not require or imply similar increased spending over future years. Significant one-time appropriations authorized for the 2000-2001 biennium include: $200.0 for local road improvements, $250.0 million for the Pension Stabilization Fund, (See "STATE RETIREMENT SYSTEMS — State Teacher's Retirement Fund"), $12.8 million from the General Fund for additional Year 2000 remediation, $5.0 million for clean up of "brownfields" industrial sites and approximately $120.0 million in capital spending for university and State facilities. When total appropriations are reduced by appropriations for expected one-time expenses, total projected expenditures are within projected operating revenues for each year of the biennium.

Medicaid Reserve

In 1995, the General Assembly established the Medicaid Reserve and Contingency Account for the purpose of providing funds for the timely payment of Medicaid claims, obligations and liabilities. The Medicaid Reserve represents the estimated amount of obligations that have been incurred, but not paid, at the end of each respective Fiscal Year. Although not included in the state's combined Balances and Reserves, the Medicaid Reserve Account represents a significant reserve that could help cushion unforeseen increases in Medicaid should they arise. The balance in the Medicaid Reserve Account was $219.1 million on July 1, 1999.

STATE INDEBTEDNESS

Constitutional Limitations on State Debt

The State may not incur indebtedness under Article X, Section 5 of the State constitution, except in the following cases: to meet casual deficits in revenues; to pay interest on State debt; or to repel invasion, suppress insurrection or, if hostilities are threatened, to provide for the public defense. The State has no indebtedness outstanding under the Indiana constitution. See "FISCAL POLICIES — State Board of Finance."

Other Debt, Obligations

Substantial indebtedness anticipated to be paid from State appropriations is outstanding, together with what are described below as "contingent obligations." Such indebtedness and obligations are described in the following pages. In addition, various State universities and colleges have issued bonds, notes and other obligations, the debt service on which, though payable from student fees and other sources, is eligible for fee replacement appropriations by the General Assembly from State general purpose tax revenues (See "STATE BUDGET PROFILE — Major Expenditures — Higher Education"). In addition, the commissions and authorities described below may issue additional debt or incur other obligations from time to time to finance additional facilities or projects or to refinance such facilities or projects. The type, amount and timing of such additional debt or other obligations not already authorized is subject to a number of conditions that cannot be predicted at present. See "STATE INDEBTEDNESS — Authorized but Unissued Debt".

Obligations Payable from Possible State Appropriations

The Indiana General Assembly has created certain financing entities, including the State Office Building Commission, Transportation Finance Authority, Recreational Development Commission and the Indiana Bond Bank which are each public bodies corporate and politic and separate from the State. These financing entities have been granted the authority to issue revenue bonds and finance the construction, reconstruction and equipping of various capital projects. Certain agencies, including the Indiana Department of Administration, the Indiana Department of Transportation and the Indianapolis Airport Authority (under an agreement with the Indiana Department of Commerce) have entered into use and occupancy agreements or lease agreements with the financing entities. Lease rentals due under the agreements are payable primarily from possible appropriation of State funds by the General Assembly. However, there is and can be under State law no requirement for the General Assembly to make any such appropriations for any facility in any Fiscal Year. No trustee or holder of any revenue bond issued by any financing entity may legally compel the General Assembly to make any such appropriations. Revenue bonds issued by any of the financing entities do not constitute a debt, liability or pledge of the faith and credit of the State within the meaning of any constitutional provision or limitation. Such use and occupancy agreements, lease agreements and obligations do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation. Following is a description of the entities that have issued bonds and the projects that have been financed with the proceeds and which are subject to use and occupancy agreements or lease agreements.

State Office Building Commission. The State Office Building Commission is authorized to issue revenue bonds to finance or refinance the acquiring, construction and equipping of buildings, structures or improvements or parking areas owned or leased by the State Office Building Commission or the State for the purpose of (a) housing the personnel or activities of State agencies or branches of State government; (b) providing transportation or parking for State employees or persons having business with State government; (c) providing a building, structure or improvement for the custody, care, confinement or treatment of committed persons under the supervision of the

State Department of Correction; or (d) providing a building, structure or improvement for the care maintenance or treatment of persons with mental or addictive disorders.

Pursuant to this general authority, as well as specific findings of need by the General Assembly, the State Office Building Commission has issued its revenue bonds to finance or refinance various facility projects, described below:

Facility	Project Description
Indiana Government Center Parking Facilities	Acquisition, constructing and equipping of two new multi-level parking facilities
Indiana Government Center South	Acquisition, constructing and equipping of new State office building facility
Indiana Government Center North	Renovation of and construction of improvements to original State office building facility
Wabash Valley Correctional Institution; Miami Correctional Facility, Phase I Rockville Correctional Facility	Acquisition, construction and equipping of men's maximum security correctional facility and medium security correctional facilities; acquisition, construction, renovation and equipping of women's correctional facility

To see a listing by bond series of the outstanding indebtedness of the State Office Building Commission, see "STATE INDEBTEDNESS — Debt Statement — Obligations Payable From Possible State Appropriations."

The State Office Building Commission's revenue bonds are payable, or upon completion of the construction of the facility (or portions thereof) will be payable, principally from rental payments on such facility (or portions thereof) to be made by the State Department of Administration pursuant to a use and occupancy agreement for such facility (or portions thereof). The term of each such use and occupancy agreement is coextensive with the State's biennial budget, but is renewable for additional two-year terms. Rental payments by the Department of Administration with respect to each such facility are and will be subject to and dependent upon appropriations being made for such purpose by the General Assembly.

Transportation Finance Authority - Highway Financing. The Indiana Transportation Finance Authority (the "TFA") was established in 1988 under Indiana Code 8-9.5-8, as the successor to the Indiana Toll Finance Authority. The TFA is a body corporate and politic separate from the State. When the General Assembly established the TFA, it enacted Indiana Code 8-14.5, which authorizes the TFA to: (a) undertake projects to construct, acquire, reconstruct, improve and extend the State's highways, bridges, streets and roads; (b) lease such projects to the Indiana Department of Transportation, formerly the Indiana Department of Highways; and (c) issue revenue bonds to finance or refinance such projects.

Pursuant to this authority, the TFA has issued its revenue bonds to finance the construction, acquisition, reconstruction, improvement and extension of the State's highways, bridges, streets and roads throughout Indiana. To see a listing by bond series of the indebtedness of the TFA for Highway Financing, see "STATE INDEBTEDNESS — Debt Statement — Obligations Payable From Possible State Appropriations."

The TFA's bonds are corporate obligations of the TFA and are payable, as to both principal and interest, solely from revenues derived from leases with the Department of Transportation, bond proceeds and investment earnings on bond proceeds. The TFA has no taxing power, and any indebtedness incurred by the TFA does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation. Debt service on the bonds is payable primarily from rental payments to be received from the Department of Transportation pursuant to certain master lease agreements between the TFA and the Department of Transportation, as supplemented. The term of each such master lease agreement is coextensive with the State's biennial budget, but is renewable for additional terms of two years, up to a maximum aggregate lease term of 25 years. Lease rentals under each such master lease agreement are payable solely from biennial appropriations for the actual use or availability for use of projects financed by the TFA, with payment commencing no earlier than the commencement of such use or availability for use.

Transportation Finance Authority - Aviation Financing. In 1991, the General Assembly enacted Indiana Code 8-21-12, which authorizes the TFA to finance improvements related to an airport or aviation related property or facilities, including the acquisition of real estate, by borrowing money and issuing revenue bonds from time to time. The authorizing legislation defines "aviation related property or facilities" as those properties or facilities that are utilized by a lessee, or a lessee's assigns, who provides services or accommodations (a) for scheduled or unscheduled air carriers and air taxis and their passengers, air cargo operations and related ground transportation facilities, (b) for fixed based operations, (c) for general aviation or military users and (d) for aviation maintenance and repair facilities.

Airport Facilities. On February 11, 1992, the TFA issued $201,320,000 aggregate principal amount of Airport Facilities Lease Revenue Bonds, Series A (the "1992 Airport Facilities Bonds"). On June 13, 1995, the TFA issued $29,720,000 aggregate principal amount of Airport Facilities Lease Revenue Bonds, 1995 Series A (the "1995 Airport Facilities Bonds"). On December 18, 1996, the TFA issued $137,790,000 aggregate principal amount of Airport Facilities Lease Revenue Refunding Bonds, 1996 Series A (the "1996 Airport Facilities Bonds"), to advance refund a portion of the 1992 Airport Facilities Bonds (the 1992 Airport Facilities Bonds, the 1995 Airport Facilities Bonds and the 1996 Airport Facilities Bonds, collectively, the "Airport Facilities Bonds"). As of September 30, 1998, $232,905,000 aggregate principal amount of the Airport Facilities Bonds remains outstanding.

The 1992 Airport Facilities Bonds were issued to finance a portion of the costs of constructing and equipping improvements related to an airport and aviation related property and facilities at Indianapolis International Airport (the "Phase I Facility"), and the 1995 Airport Facilities Bonds were issued to finance a portion of the costs of constructing and equipping additional improvements (the "Phase IA Facility"). At present, United Air Lines, Inc. is using the Phase I Facility and Phase IA Facility (collectively, the "Airport Facilities") as a major aircraft maintenance and overhaul facility. The TFA expects that United will continue to use the Airport Facilities for aircraft maintenance operations.

The TFA has acquired an undivided ownership interest as a tenant in common in a leasehold estate in the Airport Facilities and certain real property on which the Airport Facilities are situated, and the TFA has leased its undivided ownership interest therein to the Indianapolis Airport Authority pursuant to a lease agreement between the TFA, as lessor, and the Indianapolis Airport Authority, as lessee (the "Airport Facilities Lease"). The Airport Facilities Bonds are special, limited obligations of the TFA, payable solely from and secured exclusively by the TFA's pledge of a trust estate, including the rental payments to be received by the TFA from the Indianapolis Airport Authority under the Airport Facilities Lease for the payment of the principal of and interest on the Airport Facilities Bonds. Such rentals are payable by the Indianapolis Airport Authority for the use or availability for use of the Airport Facilities, solely from funds appropriated by the General Assembly and available to pay such rentals.

The Airport Facilities Bonds are not an obligation, directly or indirectly, of United Air Lines, Inc.

Aviation Technology Center. On December 22, 1992, the TFA issued $11,630,000 aggregate principal amount of Aviation Technology Center Lease Revenue Bonds, Series A (the "Aviation Technology Center Bonds"). As of September 30, 1998, $10,605,000 aggregate principal amount of the Aviation Technology Center Bonds remains outstanding.

The proceeds from the Aviation Technology Center Bonds were applied to finance the costs of constructing and equipping a new aviation technology center (the "Aviation Technology Center") at Indianapolis International Airport. Vincennes University is operating the Aviation Technology Center, and Vincennes University and Purdue University are currently conducting classes for training individuals for employment in aviation technology and other fields related to aircraft, aircraft maintenance and airport operations. Recently, a Boeing 737 aircraft was added to the Aviation Technology Center for use for educational purposes by Vincennes and Purdue Universities.

The TFA has acquired an interest in the Aviation Technology Center and certain real property on which the Aviation Technology Center is situated, and the TFA has leased its interest to the Indianapolis Airport Authority pursuant to a Lease Agreement between the TFA, as lessor, and the Indianapolis Airport Authority, as lessee (the "Aviation Technology Center Lease"). The Aviation Technology Center Bonds are special, limited obligations of the TFA, payable solely from and secured exclusively by the TFA's pledge of a trust estate, including the rental payments to be received by the TFA from the Indianapolis Airport Authority under the Aviation Technology Center Lease. Such rentals are payable by the Indianapolis Airport Authority for the use or availability for use of the Aviation Technology Center, solely from funds appropriated by the General Assembly and available to pay such rentals.

The Aviation Technology Center Bonds do not constitute an indebtedness, liability or loan of the credit of the Indianapolis Airport Authority, the State or any political subdivision thereof within the meaning or application of any constitutional provision or limitation, or a pledge of the faith, credit or taxing power of the Indianapolis Airport Authority, the State or any political subdivision thereof. The Aviation Technology Center Bonds are not an obligation, directly or indirectly, of Vincennes University.

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, see "STATE INDEBTEDNESS — Contingent Obligations — Transportation Finance Authority - Toll Road Financing."

Recreational Development Commission. The Indiana Recreational Development Commission (the "Recreation Commission") was created in 1973 by Indiana Code 14-14-1 and is responsible for the acquisition, construction, improvement, operation and maintenance of public recreational facilities and for facilitating, supporting and promoting the development and use of parks of the State. Pursuant to Indiana Code 14-14-1-21, the Recreation Commission and the State Department of Natural Resources (the "DNR") may enter into agreements setting forth the terms and conditions for the use of park improvements by the DNR and the sums to be paid by the DNR for such use.

Pursuant to this authority, the Recreation Commission issued, on April 6, 1994, $19,285,000 aggregate principal amount of its Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), to finance and refinance costs of acquisition, construction, renovation, improvement and equipping of various facilities for public parks in the State. As of September 30, 1998, $18,975,000 aggregate principal amount of the Series 1994 Bonds remain outstanding.

The Recreation Commission also issued, on February 12, 1997, $6,600,000 aggregate principal amount of its Revenue Bonds, Series 1997 (the "Series 1997 Bonds" and, collectively with the Series 1994 Bonds, the "Park Revenue Bonds") to finance the costs of acquisition, construction, renovation and equipping of improvements at Fort Benjamin Harrison State Park, including a golf course and related facilities (all projects financed with Park Revenue Bonds are collectively, the "Park Projects"). As of September 30, 1998, $6,400,000 aggregate principal amount of the Series 1997 Bonds remain outstanding.

The Park Revenue Bonds are limited obligations of the Recreation Commission, payable solely from certain revenues and funds of the Recreation Commission pledged for such payment, including the net revenues from the Park Projects. These net revenues include primarily rental payments to be received by the Recreation Commission from the DNR for the DNR's use of the Park Projects under a master use and occupancy agreement, as supplemented by a supplemental agreement for each of the Park Projects. The term of the master use and occupancy agreement is coextensive with the State's biennial budget, but is renewable for additional two-year terms. Rental payments under the master use and occupancy agreement are subject to and dependent upon appropriations by the General Assembly having been made and being available for such purpose. The Park Revenue Bonds do not constitute a debt of the State or any political subdivision thereof or a pledge of the faith and credit of the State or any political subdivision thereof within the meaning of any constitutional provision or limitation.

Indiana Bond Bank. The only bonds issued by the Indiana Bond Bank which are payable from possible State appropriations are the Series 1998A Bonds issued in the principal amount of $10,830,000 to refund the Special Program Bonds, Series 1991 A. The Bond Bank issued the Series 1991 A Bonds in the principal amount of $11,760,000 to finance construction of the State's Animal Disease and Diagnostic Laboratory at Purdue University, West Lafayette. The essential security for the bonds is lease rentals payable under a lease between the State of

Indiana, acting by and through the Department of Administration, as tenant, and The Trustees of Purdue University, as landlord. For a description of other powers and responsibilities of the Bond Bank, including its authority to issue other debt, see "STATE INDEBTEDNESS — Contingent Obligations — Indiana Bond Bank" and Table 10.

Debt Statement - Obligations Payable From Possible State Appropriations

Table 7 lists, by issuing agency, all long term debt that is subject to possible State appropriations through January 1, 1999.

Table 7
Schedule of Long Term Debt
Obligations Payable From Possible State Appropriations
(as of January 1, 2000)

Issuer/Series	Original Par Amount	Ending Balance 6/30/99	(Redeemed)/ Issued 2 Quarters FY 00	Ending Balance 01/01/00
State Office Building Commission				
Government Center Parking Facilities				
Series 1990A	$ 26,669,824	$ 10,475,690	$ -	$ 10,475,690
Series 1993A	42,410,000	37,185,000	(1,885,000)	35,300,000
Subtotal	$ 69,079,824	$ 47,660,690	$ (1,885,000)	$ 45,775,690
Government Center North				
Series 1990B	$ 77,123,542	$ 32,492,747	$ -	$ 32,492,747
Series 1993B	107,555,000	97,000,000	(3,805,000)	93,195,000
Subtotal	$ 184,678,542	$ 129,492,747	$ (3,805,000)	$ 125,687,747
Government Center South				
Series 1990C	$ 18,063,800	$ 7,089,520	$ -	$ 7,089,520
Series 1990D	110,675,000	105,865,000	(4,785,000)	101,080,000
Series 1993C	28,440,000	9,885,000	(385,000)	9,500,000
Subtotal	$ 157,178,800	$ 122,839,520	$ (5,170,000)	$ 117,669,520
Correctional Facilities				
Series 1995A	$ 54,025,000	$ 53,630,000	$ (410,000)	$ 53,220,000
Series 1995B	47,975,000	47,975,000	(1,225,000)	46,750,000
Series 1998A	93,020,000	93,020,000	-	93,020,000
Series 1999A	96,785,000	-	96,785,000	96,785,000
Subtotal	$ 291,805,000	$ 194,625,000	$ 95,150,000	$ 289,775,000
TOTAL SOBC	$ 702,742,166	$ 494,617,957	$ 84,290,000	$ 578,907,957
Transportation Finance Authority				
Highway Revenue Bonds				
Series 1990A	72,498,391	51,578,392	-	51,578,392
Series 1992A	74,035,000	41,900,000	(2,085,000)	39,815,000
Series 1993A	193,531,298	168,211,298	-	168,211,298
Series 1996B	27,110,000	26,670,000	(230,000)	26,440,000
Series 1998A	175,360,000	175,360,000	-	175,360,000
Subtotal	$ 542,534,689	$ 463,719,690	$ (2,315,000)	$ 461,404,690
Airport Facilities Bonds				
Series 1992A	$ 201,320,000	$ 61,490,000	$ (4,435,000)	$ 57,055,000
Series 1995A	29,720,000	29,085,000	(710,000)	28,375,000

Series 1996A	137,790,000	133,865,000	(565,000)	133,300,000
Subtotal	$ 368,830,000	$ 224,440,000	$ (5,710,000)	$ 218,730,000
Aviation Technology Bonds				
Series 1992A	$ 11,630,000	$ 10,320,000	$ -	$ 10,320,000
Subtotal	$ 11,630,000	$ 10,320,000	$ -	$ 10,320,000
TOTAL ITFA	$ 922,994,689	$ 698,479,690	$ (8,025,000)	$ 690,454,690
Recreational Development Commission				
Series 1994	$ 19,285,000	$ 18,975,000	$ (175,000)	$ 18,800,000
Series 1997	6,600,000	6,400,000	(200,000)	6,200,000
TOTAL IRDC	$ 25,885,000	$ 25,375,000	$ (375,000)	$ 25,000,000
Animal Disease & Diagnostic Laboratory				
Series 1998B	$ 10,830,000	$ 9,900,000	$ (305,000)	$ 9,595,000
TOTAL ADDL	$ 10,830,000	$ 9,900,000	$ (305,000)	$ 9,595,000
TOTAL – ALL BONDS	$1,662,451,855	$1,228,372,647	$ 75,585,000	$1,303,957,647

Source: State Budget Agency

Debt Service Schedule - Obligations Payable From Possible State Appropriations

Table 8 lists, by issuing agency, all principal and interest payments payable from possible State appropriations (not including debt that has been defeased) that are due in State Fiscal Years 2000-2003 and those scheduled thereafter until the bonds are retired.

Table 8
Scheduled Principal and Interest Payments
Payable From Possible State Appropriations

Issuer/Series	FY 00	FY 01	FY 02	FY 03	Thereafter
State Office Building					
Government Center Parking Facilities					
Series 1990A	$ 774,793	$ 774,793	$ 1,421,543	1,324,767	$ 15,180,864
Series 1993A	3,703,049	3,698,309	3,691,946	3,689,981	37,874,856
Subtotal	$ 4,477,842	$ 4,473,102	$ 5,113,489	5,014,748	$ 53,055,720
Govemment Center North					
Series 1990B	$ 2,403,199	$ 2,403,199	$ 4,408,997	4,108,859	$ 47,088,479
Series 1993B	8,626,584	8,615,564	8,611,016	8,603,809	111,112,283
Subtotal	$11,029,783	$11,018,763	$ 13,020,013	12,712,668	$ 111,112,283
Govemment Center South					
Series 1990C	$ 524,349	$ 524,349	$ 961,342	895,953	$ 10,278,151
Series 1990D	11,754,090	11,740,443	11,726,760	11,712,248	116,211,255
Series 1993C	876,443	879,053	875,280	875,280	11,330,309
Subtotal	$13,154,882	$13,143,845	$ 13,563,382	13,483,481	$ 137,819,715
Correctional Facilities					
Series 1995A	$ 3,320,830	$ 3,322,130	$ 3,326,769	3,320,028	$ 93,230,972
Series 1995B	3,866,144	3,862,381	3,860,058	3,858,843	68,788,164
Series 1998A	4,501,326	4,501,326	6,903,551	8,574,151	119,279,350
Series 1999A	10,354,351	7,867,213	7,870,431	7,869,119	124,855,519

Subtotal	$22,042,651	$19,553,050	$ 21,960,809	23,622,141	$ 406,154,005
TOTAL SOBC	$50,705,158	$48,188,760	$ 53,657,693	54,833,038	$ 755,230,202
Transportation Finance					
Highway Revenue Bonds					
Series 1990A	$ 2,864,793	$ 6,577,140	$ 6,724,488	6,724,487	$ 84,593,099
Series 1992A	4,878,398	4,873,510	4,871,510	2,399,380	60,911,501
Series 1993A	8,039,110	14,187,910	14,166,835	14,168,585	219,838,264
Series 1996B	1,585,725	1,586,410	1,586,330	4,040,330	27,698,588
Series 1998A(1)	9,071,740	9,071,740	12,181,740	12,171,790	256,927,513
Subtotal Highway	$26,439,766	$36,296,710	$ 39,530,903	39,504,572	$649,968,965
Airport Facilities Bonds					
Series 1992A	$ 8,246,186	$ 8,577,826	$ 8,911,956	9,258,556	$ 54,683,533
Series 1995A	2,304,400	2,351,030	2,397,580	2,444,900	37,972,110
Series 1996A	7,480,470	7,480,470	8,225,470	8,234,495	197,808,750
Subtotal AF	$18,031,056	$18,409,326	$ 19,535,006	19,937,951	$ 290,464,393
Aviation Technology Bonds					
Series 1992A	$ 654,955	$ 946,705	$ 949,415	945,660	$ 14,685,070
TOTAL ITFA	$ 45,125,777	$55,652,741	$ 60,015,324	60,388,183	$ 955,118,428
Recreational Development Commission					
Series 1994	$ 1,302,220	$ 1,342,595	$ 1,380,070	1,419,395	$ 29,677,964
Series 1997	529,150	525,390	526,043	526,030	8,312,567
TOTAL IRDC	$ 1,831,370	$ 1,867,985	$ 1,906,113	1,945,425	$ 37,990,531
Animal Disease & Diagnostic Laboratory					
Series 1998B	$ 737,535	$ 1,039,440	$ 1,043,901	1,042,004	$ 9,169,679
TOTAL ADDL	$ 737,535	$ 1,039,440	$ 1,043,901	1,042,000	$ 9,169,679
TOTAL – ALL BONDS	$98,399,840	$106,748,926	$ 116,623,031	$118,208,650	$1,757,508,840

Note: Excludes principal and interest on refunded bonds.

Source: State Budget Agency

Debt Ratios

Historically, Indiana's debt burden has remained well below the national average and compares favorably with its regional peers. At $216, the State's net tax-supported debt per capita ranks approximately 43rd among the states. In March 1999, the median for all the states was about $505 and the mean was about $697. At .9%, Indiana has the lowest reported debt as a percent of personal income in the region and ranks approximately 43rd among all the states. In March 1999, the median for all the states was about 2.0% and the mean was about 2.7%. Even with the issuance of new debt authorized by the General Assembly for the 2000-2001 biennium, the State expects to retain its low ranking among the states for net tax-supported debt. Governor O'Bannon has directed the creation of a comprehensive debt management plan to help insure that debt will continue to be issued and managed in a prudent manner. The ratios of outstanding debt subject to possible state appropriation to population and personal income for the discussion period are reflected in the Table 9 shown below.

Table 9
Ratios of Outstanding Debt Subject to Possible Appropriation to Population and Personal Income

Fiscal Year	Population	Personal Income(1)	Outstanding Debt Subject to Appropriation	Debt/Capita	Debt/Income
1993	5,700,243	$112,701	$ 1,001,051,854	$ 175	0.9%
1994	5,741,540	119,665	1,030,787,646	179	0.9
1995	5,787,839	125,804	1,036,962,646	179	0.8
1996	5,828,090	131,906	1,119,537,646	192	0.8
1997	5,864,105	138,415	1,116,717,640	190	0.8
1998	5,907,617	141,650	1,240,092,643	210	0.9
1999	5,942,901	146,900	1,228,372,647	207	0.8
2000	6,045,000(2)	149,800(3)	1,303,957,647(4)	216	0.9

(1) Personal Income is expressed in millions of dollars.
(2) Projected
(3) 2nd quarter, 1999 estimate
(4) Debt outstanding on January 1, 2000

Source: United States Bureau of Census for population (release dated December 29, 1999), United States Department of Commerce, Bureau of Economic Analysis for personal income; and State Budget Agency for outstanding debt.

Authorized but Unissued Debt

The 1997 General Assembly authorized the State Office Building Commission to issue additional bonds to finance: (1) Phase I of an additional medium security correctional facility for adult males in Miami County, Indiana (Phase I of the Miami Correctional Facility became available for use and occupancy on July 28, 1999); (2) an additional correctional facility for male juveniles near Pendleton, Indiana (Pendleton Juvenile Correctional Facility is under construction and is expected to be available for use and occupancy in the Fall of 2000); (3) a special needs facility to be converted from an existing State mental institution near New Castle, Indiana (construction has commenced on the New Castle Correctional Facility and it is expected to be available for use and occupancy in late 2001); and (4) a new State Museum in Indianapolis. (Construction has commenced on the Museum. It is expected to be available for use and occupancy in the Summer of 2001.) The Commission is providing short-term, or construction, financing for these facilities through issuance and sale "Hoosier Notes." Initially, $100.0 million aggregate principal amount of Hoosier Notes were authorized to be issued by the Commission, beginning in February 1998. The authorization was subsequently increased to $150.0 million in January 1999.

The Commission refinanced $85.7 million of the Hoosier Notes used to finance construction of Phase I of the Miami Correctional Center through issuance and sale of its Facilities Revenue Bonds, Series 1999A in July, 1999. The type, amount and timing of any additional bonds to refinance additional amounts of Hoosier notes are subject to a number of conditions that cannot be predicted at present, including architectural and engineering work, the level of investment rates, conditions in the credit markets, costs and progress of construction and the financial condition of the State.

The 1999 General Assembly authorized the Commission to issue additional bonds to finance construction of: (1) Phase II of the Miami Correctional Facility and (2) a replacement mental health facility in Evansville, Indiana. (The Commission has just started design of the Evansville facility and has not yet established a construction time line. The Commission is also providing short-term, or construction, financing for these facilities through issuance and sale Hoosier Notes.

In 1997, the General Assembly authorized the TFA to issue bonds for additional State highway projects. The TFA issued the first series of bonds in the principal amount of $175,360,000 on July 9, 1998.

Over a three to four year period, the TFA is expected to issue approximately $400.0 million aggregate principal amount of revenue bonds to finance projects designed to increase the capacity of State highways.

Contingent Obligations

Certain State entities, including the Indiana Department of Transportation, Indiana Bond Bank, Indiana Recreational Development Commission and Indiana Development Finance Authority, have entered into lease agreements or issued obligations that, in certain circumstances, may include payment of State general funds. Such payments, if needed, are not mandatory and no one may compel the General Assembly to appropriate moneys to make them. The leases and other obligations of such entities do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

Transportation Finance Authority - Toll Road Financing. The TFA and its predecessors have issued revenue bonds ("Toll Road Bonds") to finance and refinance the construction and improvement of the 156-mile East-West toll road (the "Toll Road") in northern Indiana, which links the Chicago Skyway and the Ohio Turnpike. To see a listing by bond series of the indebtedness of the TFA for Toll Road Financing, see "STATE INDEBTEDNESS—Debt Statement — Contingent Obligations."

The Indiana Department of Transportation has entered into a lease agreement for the Toll Road (the "Toll Road Lease") with the TFA. The Toll Road Lease is automatically renewable every two years unless terminated by written notice of one party to the other not less than six months prior to the end of a term. The TFA may also terminate the Toll Road Lease at any time upon 15 days' written notice if, in the judgment of the TFA, the Department of Transportation is not complying with the Toll Road Lease.

Pursuant to the Toll Road Lease, the operating budget of the Toll Road is controlled by the Department of Transportation, and the Department is obligated to make all necessary repairs, renewals, replacements and improvements to the Toll Road out of tolls and other revenues collected by the Department and deposited with the trustee under the Toll Road Lease. The Department is further obligated to fix and collect tolls to meet the requirements of the Toll Road Lease: (a) operating expenses; (b) rent to the TFA (for payment of debt service on Toll Road Bonds); and (c) expenses of major repairs, improvements and equipment. The base rent is subject to increase if debt service increases as a result of the issuance of additional Toll Road Bonds. Any excess revenues collected by the Department are payable to the TFA as additional rent.

In the event Toll Road revenues are insufficient in any year to meet the requirements of the Toll Road Lease, the Department of Transportation is obligated under the Toll Road Lease to take steps to remedy the insufficiency, including increasing toll rates and reducing operating expenses. If such measures are inadequate, the Department is required, within 30 days, to report the amount of the insufficiency to, and seek the approval of, the State Budget Agency for a request to the General Assembly for an appropriation to the extent of such insufficiency. To date, no request for an appropriation for payments or other requirements under the Toll Road Lease has been made. Under the Toll Road Lease, the Department is unconditionally obligated to pay the rent during each term from legally available funds, but is not obligated to pay rent for any subsequent term unless the Toll Road Lease is renewed and extended. The Department's obligation to pay rent is not limited to Toll Road Lease revenues but, to the extent that the Department can legally obligate itself to do so, extends to other funds of, or obtainable by, the Department and legally available from time to time for expenditures in connection with the operation of the Toll Road. Nothing in the Toll Road Lease or in Indiana Code 8-9.5-8 or 8-15 creates a debt or an obligation that requires the State to make any appropriations to or for the use of the TFA or the Department.

For a description of other powers and responsibilities of the TFA, including its authority to issue other debt, see "STATE INDEBTEDNESS — Obligations Payable from Possible State Appropriations — Indiana Transportation Finance Authority - Highway Financing" and "Indiana Transportation Finance Authority - Aviation Financing."

Indiana Bond Bank. The Indiana Bond Bank (the "Bond Bank"), a body corporate and politic, was created in 1984 pursuant to Indiana Code 5-1.5. The Bond Bank is not a State agency and is separate from the State in both its corporate and sovereign capacity. The Bond Bank has no taxing power. The purpose of the Bond Bank is to buy and sell securities and to make loans to political subdivisions of the State and other qualified entities as defined in

Indiana Code 5-1.5-1-8. The Bond Bank is empowered to issue bonds or notes which are payable solely from revenues and funds that are specifically allocated for such purpose. To assure maintenance of a debt service reserve in any reserve fund required for Bond Bank bonds or notes, the General Assembly may, but is under no obligation to, appropriate to the Bond Bank for deposit in one or more of such funds the sum that is necessary to restore that fund to its required debt service reserve. If at the end of any Fiscal Year the amount in any reserve fund exceeds the required debt service reserve, any amount representing earnings or income received on account of any money appropriated to the reserve fund that exceeds the expenses of the Bond Bank for that year may be transferred to the General Fund.

Bonds issued by the Bond Bank do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the State constitution. Particular sources are designated for the payment of and security of bonds issued by the Bond Bank.

By statute, the total amount of bonds and notes which the Bond Bank may have outstanding at any one time (except bonds or notes issued to fund or refund bonds or notes) is currently limited by statute to $1,000.0 million plus (a) up to $200.0 million for certain qualified entities that operate as rural electric membership corporations or as corporations engaged in the generation and transmission of electric energy and (b) up to $30.0 million for certain qualified entities that operate as telephone cooperative corporations.

As of June 1, 1999, the Bond Bank had $1,100,760,000 in bonds and notes outstanding, including $445,175,000 in outstanding bonds that are eligible for reserve fund replacement, with an aggregate reserve fund requirement for such bonds of $50,752,258. To see a listing by bond series of the outstanding Bond Bank bonds that are eligible for reserve fund replacement see "STATE INDEBTEDNESS—Debt Statement - Contingent Obligations."

As of June 1, 1999, all borrowers from the Bond Bank were current in their payments and no appropriation has been requested or required to maintain the debt service reserve funds at their required levels; however, on January 1, 1999, the Town of Claypool, Indiana (a borrower of $328,000 aggregate principal amount of the Bond Bank's Special Program Pool, Series 1991F) failed to make payment of $21,546.75, which payment was then made by the Bond Bank from available monies and thereafter such borrowing was restructured and the payment delinquency cured.

Development Finance Authority. The Indiana Development Finance Authority (the "Development Finance Authority"), a body politic and corporate, was established in 1990 under Indiana Code 4-4-11 as successor to the Indiana Employment Development Commission, Indiana Agricultural Development Corporation and Indiana Export Finance Authority. The Development Finance Authority is not a State agency, but an independent instrumentality of the State exercising essential public functions. The public purposes of the Development Finance Authority are to: (a) promote opportunities for gainful employment and business opportunities by the promotion and development of industrial development projects, rural development projects, mining operations, international exports and agricultural operations; (b) promote educational enrichment (including cultural, intellectual, scientific or artistic opportunities) by the promotion and development of educational facility projects; (c) promote affordable farm credit and agricultural loan financing for farming and agricultural enterprises; and (d) prevent and remediate environmental pollution by the promotion and development of industrial development projects.

The Development Finance Authority is permitted by law to issue revenue bonds to finance projects which serve these public purposes. The Development Finance Authority's revenue bonds are payable solely from revenues of the Development Finance Authority specifically pledged thereto. The bonds are not in any respect a general obligation of the Development Finance Authority or the State, nor are they payable in any manner from revenues raised by taxation. The Development Finance Authority has no power to levy taxes.

Pursuant to this authority, the Development Finance Authority has issued many revenue bonds. Except as described below, the revenue bonds are not payable from State appropriations. The Development Finance Authority issued on May 25, 1995, $21,400,000 aggregate principal amount of its Taxable Economic Development Revenue Bonds, Series 1995 (Steel Dynamics, Inc. Project) (the "Steel Dynamics Bonds"), secured in part by a debt service reserve fund established exclusively for the Steel Dynamics Bonds. As of January 1, 1999, $19,500,000 aggregate principal amount of the Steel Dynamics Bonds remain outstanding. In addition, the Development Finance Authority issued on June 27, 1996, $14,345,000 aggregate principal amount of its Taxable Economic Development Revenue Bonds, Series 1996 (Envirotest Systems Corp. Project) (the "Envirotest Systems Bonds"), secured in part by a debt service reserve fund established exclusively for the Envirotest Systems Bonds. On October 16, 1998, Envirotest redeemed all of the $12,945,000 aggregate principal amount of bonds outstanding. In addition, the Development Finance Authority issued $33,100,000 aggregate principal amount of its Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1996 (Qualitech Steel Corporation Project) (the "Qualitech Bonds"), secured in part by a debt service reserve fund established exclusively for the Qualitech Bonds, all of which revenue bonds remain outstanding as of January 1, 1999. Finally, the Development Finance Authority issued $13,800,000 aggregate principal amount of its Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1998 (Heartland Steel, Inc. Project) (the "Heartland Steel Bonds") secured in part by a debt service reserve fund established exclusively for the Heartland Steel Bonds, all of which revenue bonds remain outstanding as of January 1, 1999. The Development Finance Authority has contractually agreed that, if, after an unreimbursed transfer from the debt service reserve fund for the Steel Dynamics Bonds, the Qualitech Bonds or the Heartland Steel Bonds, as applicable, such debt service reserve fund is not fully funded, the Development Finance Authority will seek an appropriation from the General Assembly to replenish such debt service reserve fund. However, the General Assembly is under no obligation to make any appropriation to replenish any such debt service reserve fund. To see a listing by bond series of the outstanding Development Finance Authority bonds that are eligible for reserve fund replacement see Table 10 "Schedule of Long Term Debt -Contingent Obligations" shown below.

On March 22, 1999, Qualitech Steel Corporation, the corporation whose revenues are the primary source of repayment for the Qualitech Bonds filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. On or about August 26, 1999 substantially all of Qualitech Steel Corporation's assets were sold, with court approval, to designees of Qualitech's prepetition secured lenders. As of January 1, 2000, the bankruptcy proceedings were not concluded, however it is likely that, at some point in the future, the debt service reserve fund established for the Qualitech Bonds will not be fully funded and the Development Finance Authority will be required to seek an appropriation from the General Assembly to replenish such debt service reserve fund or to reimburse National City Bank of Indiana for unreimbursed draws under a letter of credit it issued to secure payment of the Qualitech Bonds.

Debt Statement - Contingent Obligations

Table 10 lists the long term debt classified as contingent obligations that was outstanding on January 1, 1999. Debt classified as a contingent obligation is debt for which the State has agreed to replenish a debt service reserve fund or seek an appropriation from the General Assembly to provide funds to meet certain obligations. See "STATE INDEBTEDNESS — Contingent Obligations."

Table 10
Schedule of Long Term Debt
Contingent Obligations
(as of January 1, 2000)

Issuer/Series	Original Par Amount	Ending Balance 6/30/99	(Redeemed)/ Issued 2 Quarters FY 00	Ending Balance 01/01/00
Transportation Finance Authority				
Toll Road Bonds				
Series 1985	$ 256,970,000	$ 26,200,000	$ -	$ 26,200,000
Series 1987	184,745,000	49,855,000	(1,725,000)	48,130,000
Series 1993	76,075,000	63,780,000	(7,815,000)	55,965,000
Series 1996	134,795,000	133,865,000	(565,000)	133,300,000
Subtotal	$ 652,585,000	$ 273,700,000	$ (10,105,000)	$ 263,595,000
Indiana Bond Bank				
Special Program Pool				
Series 1985B	$ 2,702,000	$ 740,000	$ (75,000)	$ 665,000

Series 1986B	16,340,000	7,205,000	-	7,205,000
Series 1986C	25,715,000	2,345,000	(265,000)	2,080,000
Series 1986E	15,520,000	1,125,000	-	1,125,000
Series 1987A	9,210,000	1,150,000	(45,000)	1,105,000
Series 1989C	5,455,000	4,685,000	(1,070,000)	3,615,000
Series 1990A	8,795,000	6,415,000	-	6,415,000
Series 1990B	7,550,000	5,875,000	-	5,875,000
Series 1991A	38,655,000	31,435,000	-	31,435,000
Series 1991C	9,360,000	7,880,000	-	7,880,000
Series 1991F	15,330,000	13,345,000	(485,000)	12,860,000
Series 1992A (hospital)	21,000,000	16,800,000	-	16,800,000
Series 1992A	9,115,000	8,390,000	(195,000)	8,195,000
Series 1992B	15,735,000	11,075,000	(1,120,000)	9,955,000
Series 1993A	7,975,000	6,955,000	-	6,955,000
Series 1993B	14,915,000	14,515,000	-	14,515,000
Series 1994B	8,475,000	7,530,000	(30,000)	7,530,000
Series 1995A	4,540,000	4,165,000	(10,000)	4,155,000
Series 1995B	13,280,000	12,405,000	-	12,405,000
Series 1997A	6,295,000	6,130,000	-	6,130,000
Series 1997B	22,855,000	22,855,000	-	22,855,000
Series 1997C	5,010,000	5,010,000	-	5,010,000
Series 1998A	6,485,000	6,485,000	-	6,485,000
Subtotal	$ 290,312,000	$ 204,515,000	$ (3,295,000)	$ 201,220,000
Special Loan Program				
Series 1988A	$ 7,310,000	$ 3,070,000	$ -	$ 3,070,000
Series 1988B	41,165,000	6,840,000	(65,000)	6,775,000
Series 1988C	7,175,000	1,775,000	-	1,775,000
Series 1989	8,765,000	4,955,000	-	4,955,000
Subtotal	$ 64,415,000	$ 16,640,000	$ (65,000)	$ 16,575,000
State Revolving Loan Fund				
Series 1993 Guarantee Revenue	$ 85,505,000	$ 75,100,000	$ -	$ 75,100,000
Series 1993 State Match	14,495,000	12,730,000	-	12,730,000
Series 1994 Guarantee Revenue	45,735,000	42,800,000	-	42,800,000
Series 1994 State Match	14,265,000	13,345,000	-	13,345,000
Series 1995 Guarantee Revenue	70,475,000	69,990,000	-	69,990,000
Series 1995 State Match	9,525,000	9,255,000	-	9,255,000
Subtotal	$ 240,000,000	$ 223,220,000	$ -	$ 223,220,000
HELP Program				
Series 1995A	$ 4,645,000	$ 800,000	$ (800,000)	$ -
Subtotal	$ 4,645,000	$ 800,000	$ (800,000)	$ -
Indiana Development Finance Authority				
Qualitech Steel	33,100,000	30,800,000	(1,000,000)	29,800,000
Steel Dynamics	21,400,000	19,500,000	(900,000)	18,600,000
Heartland Steel	13,800,000	13,800,000	-	13,800,000
Subtotal	$ 68,300,000	$ 64,100,000	$ (1,900,000)	$ 62,200,000
TOTAL – ALL BONDS	$1,320,257,000	$ 782,975,000	$ (16,165,000)	$ 766,810,000

Source: State Budget Agency

Other Entities Issuing Debt

The following entities, although created or designated by the State, are authorities, instrumentalities, commissions, separate bodies corporate and politic, or not-for-profit corporations separate from the State. The entities may incur debt while exercising essential governmental or public functions. Any debt incurred by the entities is secured only by specific revenues and sources pledged at the time the debt is incurred and is neither direct nor indirect debt of the State. The debts do not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

Entity	Statute	Purpose of Debt Issuance
Board for Depositories	I.C. 5-13-12 Recodified 1987	Provide guarantee for industrial development obligation or credit enhancement for Indiana enterprises
Indiana Educational Facilities Authority	I.C. 20-1263 Established 1979	Provide funds for projects to be leased to private institutions of higher learning
Indiana Health Facility Financing Authority (1)	I.C. 5-1-16 Established 1983	Provide health facilities with means for financing equipment and property acquisitions
Indiana Housing Finance Authority (2)	I.C. 5-20-1 Established 1978	Provide funds for construction or mortgage loans for federally assisted multi-family or for low and moderate income residential housing
Indiana Political Subdivision Risk Management Commission	I.C. 27-1-29 Established 1986	Provide funds to aid political subdivisions protection against liabilities
Indiana Port Commission	I.C. 8-10-1 Established 1961	Provide funds to construct, maintain and operate public ports on Lake Michigan or Ohio or Wabash Rivers
Indiana Secondary Market for Secondary Loans, Inc. (3)	I.C. 20-1221.2 Authorized 1980	Provide funds for a secondary market for education loans
Intelenet Commission	I.C. 5-21-1 Established 1986	Provide funds for a State-wide integrated telecommunications network
Indiana State Fair Commission	I.C. 15-1.5-1 Established 1990	Provide funds for construction, repair and refurbishing of State fairgrounds
Indiana White River State Park Development Commission	I.C. 14-3-1 Established 1979	Provide funds for establishment and development of park, exposition, educational, athletic and recreational projects on the White River in Marion County

(1) Originally the Indiana Hospital Equipment Financing Authority.

(2) Authorized to issue bonds, similar to the Indiana Bond Bank, that would be eligible for General Assembly appropriations to replenish the debt service reserve funds. The Indiana Housing Finance Authority has not issued and does not currently expect to issue any such bonds.
(3) A not-for-profit corporation authorized by the General Assembly.

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STATE RETIREMENT SYSTEMS

There are four major State retirement systems: the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund, the State Judges' Retirement System and the State Police Fund. In addition, the State maintains and appropriates moneys to several other retirement plans. Under Indiana law, each board administering a retirement system is required to make periodically an actuarial investigation into the mortality, service and compensation or salary experience of the members of the system and their beneficiaries and make a valuation of the assets and liabilities of the retirement benefits in any year in which the retirement fund law is amended in any manner which affects the benefits payable. See Exhibit A-1, General Purpose Financial Statements of the State of Indiana for the Fiscal Year Ended June 30, 1998 — Employee Retirement Systems and Plans.

Public Employees' Retirement Fund

The Public Employees' Retirement Fund ("PERF") has been in existence since 1945 to provide retirement, disability and survivor benefits for most State and local government employees. With total assets of more than $7,311.6 million on June 30, 1998, PERF is the State's largest pension fund and has essentially no unfunded liability. On June 30, 1998, there were 195,019 active and retired members participating in PERF from State and local government.

State employees constitute approximately 38% of the non-retired PERF membership; the remainder of the membership is composed of employees of other participating political subdivisions. The State is financially responsible only for making contributions for State employee members. Funding for PERF is included as part of the expenditures for fringe benefits by each State agency. Each biennium the State appropriates an amount necessary for administration of PERF. Such appropriations are made from PERF earnings.

All State employees and all employees of participating political subdivisions in covered positions, including elected and appointed officials, are required to join PERF upon employment. The PERF benefit consists of two parts: (a) a pension formula benefit based upon years of service and final average salary and (b) an additional benefit based upon the member's annuity savings account balance, derived from employee contributions. The employee contribution rate is defined by law as 3.0% of each employee's salary. Effective July 1, 1986, the State "picked up" and pays the employee contributions for State employees to PERF as part of a wage adjustment.

Eligibility for retirement benefits is determined by age and creditable service. An employee is eligible for normal retirement at age 65 if he or she has ten or more years of creditable service under PERF. An employee may qualify for early retirement with a reduced pension if he or she is between the ages of 50 and 65 and has 15 or more years of creditable service. An employee may qualify for early retirement with full benefits at age 60 with 15 or more years of creditable service or at age 55 with the employee's age plus years of creditable service equaling 85 or more (the "Rule of 85"). Benefit determination is based on the average of the five highest annual earnings, years of service and age at retirement and the specific retirement option selected by each member.

PERF includes benefits for a member who becomes disabled while receiving pay in a PERF-covered position if the member (a) has five or more years of creditable service under PERF and (b) qualifies for Social Security disability benefits. The benefits will be computed using only the years of creditable service worked to the date of disability with no reduction for early retirement.

If a member who has 15 or more years of creditable service dies in service, his or her spouse or dependent beneficiary may be entitled to survivor benefits. If a retired member dies, the designated beneficiary may receive benefits, depending on the option selected by that member.

A member who terminates employment prior to eligibility for retirement or disability benefits is entitled to the return of his or her contributions, plus interest. A member who terminates employment prior to eligibility for retirement or disability benefits, but with ten or more years of credited service, may also elect to receive a deferred vested benefit instead of a refund.

Contributions are made to PERF by the State and local units, paying normal cost and amortizing the unfunded accrued liability of each unit during periods established pursuant to statute. Contribution rates are set by the PERF Board of Trustees based on annual actuarial valuations.

Table 11 summarizes the results of the actuarial valuations of the State-related portion of PERF on June 30, 1997, and June 30, 1998.

Table 11
Indiana State Public Employees' Retirement Fund

	June 30, 1997	June 30, 1998
Normal Cost	$ 74,650,986	$ 71,687,600
Accrued Liability (Non-retired)(1)	1,465,185,818	1,491,985,623
Unfunded (Overfunded) Accrued Liability (Non-retired)(1)	17,853,583	(134,464,562)
Actuarial Present Value of All Accumulated Plan Benefits	801,616,750	848,439,552
Present Value of Vested Benefits	654,013,194	703,825,704
Non-Retired Participant Assets(2)	1,447,332,235	1,626,450,185

Notes: (1) There is no Unfunded Accrued Liability for retired members' benefits.
(2) Valued at cost.

Source: Actuarial Valuation, Public Employees' Retirement Fund of Indiana, June 30, 1997, and June 30, 1998.

In November 1996, a referendum amending the State constitution to permit public pension funds to invest in equities was passed. In May 1997, after enactment of House Enrolled Act 1036, the Board of Trustees of PERF began shifting the asset allocation of its investment portfolio. The target asset allocation of 60.0% equities and 40.0% fixed income securities is being achieved over a projected three-year transition period. It is expected that the targeted asset allocation will produce a more diversified, safer and higher yielding investment portfolio in the long run. At calendar year-end 1998, approximately 35% of the employer reserves under PERF's control have been shifted to equity investments.

State Teachers' Retirement Fund

The Indiana State Teachers' Retirement Fund ("TRF") pays retirement benefits to public school teachers who reach a specific age or meet other eligibility qualifications. On June 30, 1998, TRF had 115,989 active and retired participants. Members of TRF receive benefits similar to those received by PERF members as described above and are also subject to the Rule of 85 for eligibility purposes.

Moneys to pay retirement benefits are provided from State appropriations and separate contributions by the teachers to an Annuity Savings Account. Until July 1, 1995, the State portion of benefits was funded on a "pay as you go" cash basis. As a result, the State accumulated a substantial unfunded accrued liability — $7,513.8 million as of June 30, 1998 as shown in Table 12 below.

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Table 12
Indiana State Teachers' Retirement Fund
(in million of $)

	June 30, 1997	June 30, 1998
Accrued Liability		
Retired	$ 3,234.3	$ 3,481.4
Non-retired	7,810.4	$ 8,298.8
Total	$ 11,044.7	$ 11,780.2
Unfunded Accrued Liability		
Retired	$ 1,743.4	$ 1,722.4
Non-retired	5,551.1	5,791.4
Total	$ 7,294.4	$ 7,513.8

Source: Report of the Annual Actuarial Valuation as of June 30, 1998. Gabriel Roeder Smith & Co.

To aggressively address TRF's unfunded liability, the State:

1. Capped the growth of the benefit obligations by creating a new, actuarially sound plan for all new teachers hired after July 1, 1995. The "new" plan is funded by local school districts on a current basis using a level percent of payroll approach.

2. Created a new Pension Stabilization Fund dedicated to limiting growth in future General Fund appropriations for the pre-July 1995 plan to no more than normal growth in General Fund revenues. The Pension Stabilization Fund has been funded through the following transfers and appropriations:

Amount	Source	Time	Frequency
$439.7 million	Pension reserves	1995-1997 Biennium	One-time
$250.0 million	General Fund appropriation	1995-1997 Biennium	One-time
$150.0 million	General Fund appropriation	1997-1999 Biennium	One-time
$250.0 million	General Fund appropriation	1999-2001 Biennium	One-time
$30.0 million	Gaming Revenue appropriation	Annually, beginning FY 1996	Ongoing

The Teachers' Retirement Fund reports that the balance in the Pension Stabilization Fund on September 30, 1999 was approximately $1.5 billion (unaudited) from all sources.

3. Changed the State constitution to allow investment in equities, thereby increasing earnings estimates for plan assets. In August 1997, TRF's trustees adopted a new asset allocation plan, establishing a long-term goal of investing 52.0% of plan assets in equity investments. The trustees are implementing this plan.

Indiana Judges' Retirement System

The Indiana Judges' Retirement System ("JRS") consists of two benefit plans that pay pensions, disability benefits and survivor benefits to judges. Benefits under each plan include retirement, disability and survivor provisions, all of which are tied to salaries and years of service.

Moneys to pay benefits are derived primarily from an appropriation from the State's General Fund, from court fees and from contributions by the judges equal to 6.0% of their salaries. JRS has historically not been funded by the State on an actuarial basis.

Table 13 summarizes the results of the actuarial valuation of JRS on July 1, 1997, and July 1, 1998.

Table 13
Indiana Judges' Retirement System

	June 30, 1997	June 30, 1998
Normal Cost(1)	$ 4,581,177	$ 4,837,258
Accrued Liability	150,005,291	160,844,542
Unfunded Accrued Liability	80,648,195	81,250,352
Valuation Assets(2)	$ 69,357,096	$ 79,594,190
Number of Members		
Active and Inactive	321	339
Terminated Vested	19	17
Retired	210	215
Total	550	571

(1) Although normal cost is calculated by the actuaries, JRS is not funded on an actuarial basis. This amount represents the gross normal cost. Anticipated employee contributions of approximately $1.6 million in 1997 and $1.6 million in 1998 leave net employer normal cost of approximately $4.8 million in 1998.
(2) Based on cost or book value.

Source: Actuarial Valuation, State of Indiana Judges' Retirement System, July 1, 1998.

State Police Pension Trust

The State Police Pension Trust consists of two structures that provide retirement benefits to State police officers. The State makes contributions to the State Police Pension Trust from appropriations of General Fund and Motor Vehicle Highway Fund moneys. At present, members contribute and may borrow funds in an amount up to their contribution, subject to State Police Pension Advisory Board policies. Retirement benefits may not exceed one-half of either the member's highest salary in 36 consecutive months or a third year trooper's pay (depending upon the structure in which the member belongs), plus additions tied to years of service. Survivor and disability benefits may not exceed the basic pension amount.

The State Police Pension Trust is funded on an actuarial basis. The State Treasurer is custodian for such trust. Certain financial information about the State Police Pension Trust is also included in Exhibit A-1, General Purpose Financial Statements of the State of Indiana for the Fiscal Year Ended June 30, 1997.

Other State Plans

The State appropriates moneys to several other retirement plans.

The State maintains an Excise Police and Conservation Enforcement Officers' Retirement Plan. According to the actuarial valuation of the plan, as of July 1, 1997, the plan had a total annual cost of approximately $1.7 million and an unfunded actuarial liability of approximately $12.1 million.

The PERF Board of Trustees administers a local police officers' and firefighters' pension and disability fund for local police officers and firefighters hired after April 30, 1977. Benefits for the members of this plan have been funded on an actuarial basis through contributions from cities and towns and from plan members.

The PERF Board of Trustees also administers a pension relief fund for those local police officers and firefighters hired before May 1, 1977. Benefits for the members of this plan have been funded on a "pay-as-you-go" basis, under which benefits are paid from current revenues provided by cities and towns and by plan members' contributions. Cities and towns receive pension relief funds from the State to reimburse them for a portion of benefit expenditures. To provide such pension relief, the State has dedicated a portion of the State's cigarette tax revenue, liquor tax revenue and certain surplus Hoosier Lottery and gaming revenues. In addition to those funding sources, the State has authorized additional appropriations of $50.0 million during 1996 and $25.0 million each year of the 1997-1999 biennial budget. According to the auditor's report on the component unit financial statements of the funds administered by the PERF Board of Trustees, as of June 30, 1996, and for the Fiscal Year then ended, approximately $82.1 million was expended from the State's pension relief fund during Fiscal Year 1996, and on June 30, 1996, the State's pension relief fund had a balance of approximately $401.8 million.

In 1989, the General Assembly established a legislators' retirement system consisting of a defined benefit plan and a defined contribution plan. Each of the plans is to be administered by the PERF Board. According to the actuarial valuation of the legislators' defined benefit plan, as of July 1, 1997, the plan had a total annual cost of $208,369, a cost per eligible active participant of $1,751 and an unfunded actuarial liability of approximately $1.3 million.

The 1989 General Assembly also established a prosecuting attorneys' retirement fund, which is administered by the PERF Board. According to the actuarial valuation of the prosecuting attorneys' retirement fund, as of July 1, 1998, the fund had a total employer annual cost of $390,283 and an unfunded actuarial liability of approximately $4.2 million.

Local Plans

Approximately 200 additional local governmental pension funds in the State do not receive direct contributions from the State. Although the State has set certain standards for some local pension funds, localities and members are solely responsible for contributions to the funds.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Indiana manufacturing has generally outperformed the nation during the 1990s. During expansion years such as 1995 and 1996, Indiana manufacturing employment represented 20% to 30% of net new employment while accounting for less than 10% in the United States as a whole. However, manufacturing jobs as a percentage of total non-farm employment for the State have decreased from 26.6% in 1988 to 23.2% in March, 1999. In 1998, manufacturing's share of net employment growth dropped under 19% while the nation's rate was under 5%. Since Indiana has a larger share of its employment in manufacturing than any other state, this sector is, and will continue to be, highly important to the State. However, it appears that Indiana is beginning to conform to the national trend of slow, stable or declining manufacturing employment.

Indiana continues to exceed the United States in net employment growth for the past ten year period. However, this trend will end in the year 2000 unless there is an improvement in Indiana's relatively weak performance of the last three years. Since 1995, United States employment has expanded by 8.2% while employment in Indiana has increased by 4.2% over the same period. Weaker growth in employment is becoming a national trend with only 17 states having growth rates of 3% or greater in 1998. Indiana's recent slow employment growth may be a reflection of tight labor markets as indicated by unemployment rates. Indiana's unemployment rate has continually improved relative to the nation over the past ten years.

Since 1988, exports in Indiana have outperformed the United States increasing by over 181%, compared to national growth of about 118% for the same period of time. Indiana exports were adversely affected by the downturn of Asian economies and the general global economic downturn, however, the impact on Indiana was not as severe as for the United States as a whole. Exports for the United States declined in 1998 by 1% while Indiana exports increased by 2%. Foreign investment and ownership in Indiana may have contributed to Indiana's 1998 export increase. For instance, Indiana exports to Japan in 1998 increased by 20%. This may be attributable to connections between Japanese companies in Indiana and their parent corporations in Japan. The relatively big increase in exports to Japan helped offset sharp declines to Asian countries demonstrating the advantage of foreign investments to export growth.

Since 1994, growth in service sector employment in Indiana has averaged about 3% compared to growth of about 4% for the nation as a whole. However, in 1998, the service sector surpassed manufacturing employment in Indiana. The increase in exports and foreign investment and service sector employment is reflective of an increasingly diversified economy containing a mix of manufacturing, services and agriculture. Indiana's top five employment sectors comprise just 31% of the workforce, with health services the largest segment of private employment.

The State benefits from proximity to major markets and population centers — both national and international. Indiana can access those markets and population centers in the north, through Lake Michigan and the Great Lakes-St. Lawrence Seaway; in the south, through the Ohio and Mississippi rivers. With 11,300 miles of State highways and 1,171 miles of interstate highways, Indiana has more interstate highways passing through it than any other state. Indiana is within a days drive of two-thirds of the population of the United States.

The cost of living in Indiana is relatively low. For the 4th quarter of 1998, Indiana's Total Cost of Living Composite Index as measured by the Indiana Department of Commerce was 94.9 as opposed to a national average of 100. Indiana ranks favorably among the states in housing affordability and percent of home ownership. Energy costs are relatively low in Indiana. Utility rates for all industrial customers are about 17% lower than the national average and residential energy bills are about 18% lower than the national average.

Indiana's economy evidences significant diversity in the types of goods it produces, as well as the markets to which it sells. Indiana ranks in the top five states for producing items ranging from steel, truck and bus bodies, wood office furniture, compact discs, pharmaceuticals, and surgical supplies to potato chips.

Table 14 compares changes in employment, population and personal income between Indiana and the United States since 1950.

Table 14
Summary Comparison of Indiana and the U.S.

	1950	1960	1970	1980	1990	1998
Employment(1)						
Indiana	1,272	1,431	1,849	2,130	2,522	2,917
% change	--	12.5%	29.2%	15.2%	18.4%	15.7%
U.S.	45,197	54,189	70,880	90,406	109,419	125,817
% change	--	19.9%	30.8%	27.6%	21.0%	15.0%
Population(2)						
Indiana	3,934	4,662	5,195	5,490	5,544	5,899
% change	--	18.5%	11.4%	5.7%	1.0%	6.4%
U.S.	151,326	179,323	203,302	226,546	248,710	270,299
% change	--	18.5%	13.4%	11.4%	9.8%	8.7%
Personal Income (3)						
Indiana	$1,510	$2,217	$3,794	$9,330	$17,192	$24,219
% change	--	46.8%	71.1%	145.9%	84.3%	40.9%
U.S.	$1,492	$2,276	$4,077	$10,062	$19,191	$26,412
% change	--	52.6%	79.1%	146.8%	90.7%	37.6%

(1) In thousands. Non-agricultural payroll employment only. See Table 21.
(2) In thousands. With the exception of 1996, reflects the results of the census as of April 1 of each year. 1998 Figures are preliminary release dated 4/27/99.
(3) Growth measured by dollars per capita. See Table 18. Figures are preliminary release dated 4/27/99.

Source: U.S. Department of Commerce, Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics and Bureau of Economic Analysis.

Population

Indiana is the 14th most populous state in the United States. Nearly one in six Americans lives in Indiana or its contiguous states. After leveling off during the 1980's, the pace of Indiana's population growth has increased in recent years. Indiana's 1998 population was estimated at nearly 5.9 million, an increase of about 6.4% from the 1990 Census. From 1997 to 1998 Indiana's population grew by about 34,000 persons for a growth rate of about 0.6%. This compares with a growth rate of about 1.0% for the nation for the same time.

In each of the years since 1990, Indiana has experienced net in-migration; more people were entering the State than leaving it, reversing an out-migration trend than occurred in the 1980's. Of Indiana's neighboring states, only Kentucky has posted net positive population migration in each of the years 1991 through 1998.

Table 15
Net Population Migration
(in thousands)

Year	Indiana	Illinois	Michigan	Ohio	Kentucky
1991	11	-28	1	-4	3
1992	12	-7	9	7	19
1993	19	-12	-2	-2	24
1994	12	-18	2	-13	16
1995	16	-24	22	-13	16
1996	10	-26	27	-17	11
1997	6	-25	-6	-23	11
1998	4	-23	-13	-30	10
Cumulative	90	-163	40	-95	130

Source: U.S. Department of Commerce, Bureau of the Census

The capital and largest city in the State is Indianapolis. See Table 16. Other major cities include Fort Wayne, Evansville, Gary and South Bend. Indiana has all or portions of 12 metropolitan statistical areas ("MSA") and one primary MSA situated within its borders.

Table 16
Population of Indiana Cities, MSAs

City	Population (1996)	MSA	Population (1996)
Indianapolis	746,737	Indianapolis MSA (1)	1,492,297
Fort Wayne	184,783	Fort Wayne MSA (2)	475,299
Evansville	123,456	Evansville-Henderson MSA (3)	288,735
Gary	110,975	Gary Primary MSA (4)	622,303
South Bend	102,100	South Bend MSA(5)	257,740

(1) Marion, Boone, Hamilton, Madison (including the City of Anderson), Hendricks, Hancock, Morgan, Johnson and Shelby counties. The Indianapolis MSA is adjacent to the Lafayette (including Purdue University), Kokomo, Muncie (including Ball State University) and Bloomington (including Indiana University) MSA's.
(2) Allen, DeKalb, Whitley, Huntington, Wells and Adams counties.

(3) Posey, Vanderburgh (including University of Southern Indiana) and Warrick counties, Indiana, and Henderson County, Kentucky.

(4) Lake and Porter counties, Indiana; part of the Chicago-Gary-Kenosha, Illinois-Indiana-Wisconsin CMSA.

(5) St. Joseph County, Indiana (including University of Notre Dame); adjacent to Elkhart-Goshen MSA, Elkhart County, Indiana.

Source: U.S. Department of Commerce, Bureau of the Census.

As reflected in Table 17, the State's demographic profile in 1996 closely matched the nation's as a whole. Changes in the Indiana demographic profile since 1986 also match national trends, including a decline since 1986 in the portion of the population of school age and an increase in the portion of the population 65 years and older.

Table 17
Demographic Profile

	Indiana		United States	
Age (Years)	1986	1996	1986	1996
0-4	7.3%	7.0%	7.5%	7.3%
5-14	14.9	14.1	14.0	14.5
15-24	16.7	14.3	16.5	13.7
25-44	30.4	31.2	31.4	31.6
45-64	18.8	20.7	18.6	20.3
65 and older	12.0	12.6	12.1	12.8

Source: U.S. Department of Commerce, Bureau of the Census.

Personal Income

After narrowing the income gap between Indiana and the U.S. in the early 1990s, the gap again widened in 1995 through 1997 as per capita personal income in Indiana grew at a slower rate than the nation, both in terms of percentages and actual dollars. This contradicts conventional economic theory that incomes should increase more rapidly during times of low unemployment. In 1998, the growth in Indiana per capita personal income improved matching the national average growth rate of 4.4%. As a result, the average growth rate in per capita income for Indiana for the past ten years marginally exceeds the average growth rate for the nation as a whole.

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Table 18
Growth in Per Capita Personal Income

	Indiana	U.S.	Indiana	U.S.
1987	14,324	15,945		
1988	15,231	17,038	6.3%	6.9%
1989	16,296	18,153	7.0	6.5
1990	17,167	19,156	5.3	5.5
1991	17,624	19,624	2.7	2.4
1992	18,763	20,546	6.5	4.7
1993	19,651	21,220	4.7	3.3
1994	20,734	22,056	5.5	3.9
1995	21,427	23,059	3.3	4.5
1996	22,234	24,164	3.8	4.8
1997	23,202	25,288	4.4	4.7
1998	24,219	26,412	4.4	4.4
Annual Average Growth			4.9%	4.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis. All numbers for 1987 – 1997 are revised - revision release dated April, 1999. 1998 preliminary numbers - table release September, 1998.

Sector Distribution

***Gross State and Domestic Product By Sector*.**

With an estimated 1996 Gross State Product of more than $155.8 billion, Indiana's economy ranks as the 15th largest in the country in terms of the value of goods and services produced. After trailing the national growth rate during the 1980's, Indiana's economy has grown at a significantly faster pace than the nation's during the 1990's. See Table 19.

Table 19
Total Gross State and Domestic Product

	In Millions of Current Dollars			Growth Rate	
	1980	1990	1996	1980 to 1990	1990 to 1996
Indiana	$ 58,423	$ 109,552	$ 155,797	87.5%	42.2%
U.S.	2,784,200	5,743,800	7,661,600	106.0	33.4
Indiana as % of U.S. GDP	2.1%	1.9%	2.0%		

Source: U.S. Department of Commerce, Bureau of Economic Analysis release dated March 31, 1999. Survey of Current Business, February, 1999.

The State's economy is increasingly diversified, having undergone a shift in composition over time. Since 1980, agriculture has declined sharply in importance to the Indiana economy, accounting for less than 2.0% of the State's economic production in 1996. Conversely, the service sector has grown significantly as evidenced by the addition of more than 232,000 service sector jobs in the past decade. Manufacturing, and in particular durable goods manufacturing, has witnessed modest relative declines in its share of Gross State Product, but at 31.7% still remains the single largest component of the economy. See Table 20 and Table 21.

Table 20
Gross State Product and Gross Domestic Product

	1990 Gross State Product (in millions)	Percentage of total	1996 Gross State Product (in millions)	Percentage of total	1996 Gross Domestic Product (in billions)	Percentage of total
Agriculture	$ 2,266	2.1%	$ 2,735	1.8%	$ 129.8	1.7%
Mining	709	0.7%	715	0.5%	113.6	1.5%
Construction	4,995	4.6%	7,228	4.6%	306.1	4.0%
Manufacturing	33,442	30.5%	49,338	31.7%	1,332.1	17.5%
Transportation & Utilities	9,863	9.0%	12,578	8.1%	645.3	8.5%
Wholesale Trade	6,321	5.8%	9,382	6.0%	516.8	6.8%
Retail Trade	10,129	9.3%	14,212	9.1%	667.9	8.7%
Finance, Insurance, Real Estate	13,768	12.6%	20,426	13.1%	1,448.5	19.0%
Services	16,093	14.7%	23,893	15.3%	1,479.6	19.4%
Government	11,968	10.9%	15,289	9.8%	996.3	13.1%
Total	$ 109,552		$ 155,797		$ 7,636.0	

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
Totals may not add due to rounding.

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Table 21
The 50 Largest Public and 50 Largest Private Companies Headquartered in the State, Ranked by 1998 Revenue

Company	1998 Revenue (in millions)	Company	1998 Revenue (in millions)
Eli Lilly and Co. Inc.	$9,236.8	Crossmann Communities Inc.	421.9
Conseco, Inc.	7,716.	*NIBCO Inc.	416.
Bindley Western	7,621.4	Duke Realty Investments Inc.	373.3
Cummins Engine, Inc.	6,266.	CTS Corp.	370.4
Lincoln National Corp.	6,083.7	Irwin Financial Corp.	366.1
*Anthem Inc.	5,900.	*Reilly Industries Inc.	350.**
NiSource Inc.	2,932.8	*R.O. Whitesell & Associates Inc.	339.
National Steel Corp.	2,848.	*Herff Jones Inc.	336.5
Arvin Industries Inc.	2,498.7	*Acordia Inc.	330.
Hillenbrand Industries Inc.	2,001.	*Jayco Corp.	319.
*Jordan Automotive Group	2,000.**	Consolidated Products	310.3
*Do It Best Corp.	1,906.	*Hoosier Energy REC Inc.	308.5
Guidant Corp.	1,897.	*H.H. Gregg Appliances Inc.	302.
*American United Life Insurance Co.	1,769.	*Johnson Oil Co. Inc.	302.
Brightpoint, Inc.	1,628.6	*Kiel Brothers Oil Co. Inc.	299.
Marsh Supermarkets Inc.	1,505.1	*Newmar Corp.	291.9
Simon Property Group Inc.	1,405.6	ITT Educational Service Inc.	291.4
Great Lakes Chemical Corp.	1,394.3	Shoe Carnival Inc.	280.2
Wabash National Corp.	1,292.3	*MacAllister Machinery Co Inc.	279.1
*Federal Home Loan Bank of Indpls	1,285.	*Hagerman Construction Corp.	278.
Excel Industries Inc.	1,106.1	Franklin Electric Co. Inc.	272.5
*Huber Hunt & Nichols Inc.	1,039.	CTB International Corp.	272.2
Kimball International Inc.	1,032.3	*Swifty Oil Co. Inc.	267.
Amtran Inc.	919.4	*Buehler Foods Inc.	263.6
*LDI Ltd.	914.5	*Palmer Automotive Group	260.7
IPALCO Enterprises Inc.	821.3	*Interlock Industries Inc.	260.
Delco Remy	815.3	First Source Corp.	247.8
Coachmen Industries Inc.	756.	*Haynes International Inc.	246.9
*OmniSource Corp.	680.	Alltrista Corp.	244.1
Biomet Inc.	651.4	Paul Harris Stores Inc.	241.7
*Guide Corp.	626.	Chromcraft Revington Inc.	236.7
Skyline Corp.	623.4	*Rea Magnet Wire Co. Inc.	235.4
Lilly Industries Inc.	619.	Quality Dining Inc.	232.2
CNB Bancshares Inc.	603.1	*Steel Warehouse Co. Inc.	232.
*Bob Rohrman Auto Group	571.	*Burlington Motor Carriers Inc.	230.
SIG Corp.	557.1	Celadon Group Inc.	229.9
Symons International Group Inc.	553.2	*The Lafayette Life Insurance Co.	225.1
Goran Capital Inc.	546.8	Supreme Industries	223.7
*National Wine & Spirits Inc.	544.	*Stoops Freightliner-Quality Trailer Inc.	217.3
The Finish Line	522.6	*Banks Lumber Co. Inc.	191.9
Steel Dynamics Inc.	514.8	*F.A. Wilhelm Construction Co. Inc.	190.
*Atlas World Group Inc.	512.	*Wabash Valley Power Association	188.7
*Koch Enterprises Inc.	504.	*Traylor Bros. Inc.	186.7
Old National Bancorp	492.5	*United Feeds Inc.	185.
Indiana Energy Inc.	466.4	*GasAmerica Services Inc.	182.5
Tokheim Corp.	466.4	Auburn Foundry Inc.	150.
Indianapolis Life Insurance Co.	458.1	*Gene B. Glick Co. Inc.	136.4
*Kelley Automotive Group Inc.	455.7	*Monroe Guaranty Insurance Co.	135.
Patrick Industries Inc.	453.5	*Mays Chemical Co. Inc.	130.
*Farm Bureau Insurance Co.	424.7	*HPS Inc.	129.
** *Indianapolis Business Journal estimate*		* *private company*	

Source: Indianapolis Business Journal (May 17, 1999)

Employment by Sector.

Indiana experienced strong gains in non-agricultural employment between 1988 and 1998, adding 521,600 new jobs, a growth rate of 21.8. During this period, the types of employment by sector shifted, reflecting the fundamental changes taking place in the State's economy. See Table 22. In 1998, service sector employment represented 24.3% of all non-agricultural employment, which is slightly more than the 23.4% of jobs held by the manufacturing sector. The top five sectors of employment comprise less than one-third of the total workforce (31%).

Table 22
Annual Employment
Non-Agricultural
(in thousands)

	1988	% of Total	1998	% of Total	% Change 1988-1998	March 1999	% of Total
Wholesale and Retail Trade	568.2	23.7%	687.5	24.0%	21.0%	698.7	23.7
Manufacturing	636.5	26.6	683.6	23.4	7.4	686.5	23.3
Services	478.3	20.0	709.4	24.3	48.3	714.8	24.2
Government	354.5	14.8	399.3	13.7	12.6	406.6	13.8
Transportation and Public Utilities	123.9	5.2	144.1	4.9	16.3	146.3	5.0
Finance, Insurance, Real Estate	118.6	5.0	141.3	4.8	19.1	146.4	5.0
Construction	107.3	4.3	145.0	5.0	35.2	144.7	4.9
Mining	8.2	0.3	6.9	0.2	-15.9	7.2	.2
Total	2,395.5		2,917.1			2,951.2	

Note: Totals may not add due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Indiana Department of Commerce Workforce Development Indiana Employment Review.

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Table 23
Total Private Employment

Rank	Industry Sector	Private Employment	Percent of Private Employment
1	Health Services (a)	228,800	9.0%
2	Eating and Drinking Places	199,400	7.8
3	Business Services (b)	141,500	5.6
4	Transportation, Equipment Mfg.	123,100	4.8
5	Durable Goods (Wholesale) (c)	96,800	3.8
6	Special Trade Contractors (d)	84,200	3.3
7	General Merchandise Stores	76,100	3.0
8	Industrial Machinery and Equipment Mfg.	76,100	3.0
9	Food Stores	68,700	2.7
10	Miscellaneous Retail (e)	68,400	2.7
	Other Private	1,381,400	54.3
	Total Private	2,544,500	100.0

Notes: as of First Quarter, 1998
(a) includes hospitals and nursing facilities
(b) advertising, building maintenance, data processing and temporary services
(c) autos, furniture, machinery, electrical goods, hardware and lumber
(d) plumbing, electrical, masonry, roofing, painting and carpentry
(e) drugs, sporting goods, jewelry, books, liquor and specialty shops

Source: Bureau of Labor Statistics, Indiana Department of Workforce Development, Indiana Employment Review

Largest Employers

Table 24 lists employment at the one hundred largest Indiana companies, ranked by 1998 employees.

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Table 24
State Employment at the 100 Largest Public and Private Companies Headquartered in the State

Company	Indiana FTE Employees	Company	Indiana FTE Employees
Eli Lilly and Co. Inc.	11,800	*Kelley Automotive Group Inc.	600
Cummins Engine Inc.	7,000	*National Wine & Spirits Inc.	592
Kimball International Inc.	6,032	Shoe Carnival Inc.	581
NiSource Inc.	4,500	*Banks Lumber Co. Inc.	560
Consolidated Products	3,600	Brightpoint Inc.	559
Conseco Inc.	3,500	*Herff Jones Inc.	552
Wabash National Corp.	3,400	*Reilly Industries Inc.	540
Arvin Industries Inc.	3,211	*MacAllister Machinery Co. Inc.	529
Hillenbrand Industries Inc.	3,200	Paul Harris Stores Inc.	523
Lincoln National Corp.	3,200	*Gene B. Glick Co. Inc.	499
*Anthem Inc.	2,850	*Do It Best Corp.	488
Amtran Inc.	2,683	*Atlas World Group Inc.	466
*Guide Corp.	2,200	*Palmer Automotive Group	466
IPALCO Enterprises Inc.	2,020	Steel Dynamics Inc.	466
CNB Bancshares Inc.	2,014	Chromcraft Revington Inc.	450
Coachmen Industries Inc.	2,000	*Bob Rohrman Auto Group	450
*Burlington Motor Carriers Inc.	1,930	*Stoops Freightliner-Quality Trailer Inc.	450
Old National Bancorp	1,905	*Hoosier Energy REC Inc.	415
National Steel Corp.	1,900	ITT Educational Service Inc.	415
*Buehler Foods Inc.	1,691	*Hagerman Construction Corp.	410
*Jayco Corp.	1,615	Great Lakes Chemical Corp.	394
CTS Corp.	1,600	*Indianapolis Life Insurance Co.	389
Delco Remy	1,500	*Steel Warehouse Co. Inc.	385
Excel Industries Inc.	1,489	*Swifty Oil Co. Inc.	378
*American United Life Insurance Co.	1,385	Irwin Financial Corp.	350
Simon Property Group Inc.	1,337	Duke Realty Investments Inc.	349
*Johnson Oil Co. Inc.	1,230	*Huber Hunt & Nichols Inc.	319
*Farm Bureau Insurance Co.	1,129	Crossman Communities Inc.	315
Franklin Electric Co. Inc.	1,100	*Monroe Guaranty Insurance Co.	315
Biomet Inc.	1,000	Bindley Western Industries Inc.	309
The Finish Line	990	Lilly Industries Inc.	300
*F.A. Wilhelm Construction Co. Inc.	950	Alltrista Corp.	293
SIG Corp.	948	Celadon Group Inc.	270
*NIBCO Inc.	925	*Interlock Industries Inc.	210
CTB International Corp.	900	*LDI Ltd.	210
First Source Corp.	890	*Acordia Inc.	200
Indiana Energy Inc.	890	*Jordan Automotive Group	200**
Supreme Industries	885	*HPS Inc.	190
Tokheim Corp.	875	*The Lafayette Life Insurance Co.	182
*H.H. Gregg Appliances Inc.	866	Goran Capital Inc.	180
*Auburn Foundry Inc.	840	Symons International Group Inc.	180
Patrick Industries Inc.	805	*Federal Home Loan Bank of Indpls	165
Quality Dining Inc.	800	*United Feeds Inc.	160
*Haynes International Inc.	750	*Mays Chemical Co. Inc.	121
*Koch Enterprises Inc.	750	Guidant Corp.	100
*Newmar Corp.	722	*Traylor Bros. Inc.	60
*Kiel Brothers Oil Inc.	706	*Wabash Valley Power Association	57
Skyline Corp.	700	*R.O. Whitesell & Associates Inc.	15
*Rea Magnet Wire Co. Inc.	695	* *private company*	
*OmniSource Corp.	680	** *Indianapolis Business Journal estimate*	

Unemployment

Indiana has maintained lower annual unemployment rates than the nation since 1988. Unemployment rates for both Indiana and the nation continued to decline in 1998 and early into 1999. Higher levels of unemployment are concentrated in some rural areas of the State, and the Gary and Muncie metropolitan areas. However, the Gary and Muncie rates are still lower than the national average of about 4.5%. Table 25 sets out the unemployment rates for Indiana and the nation from 1988 to March, 1999.

Table 25
Unemployment Rate
(monthly average)

	Indiana	U.S.	Indiana as % of U.S.
1988	5.3	5.5	96.4
1989	4.7	5.3	88.7
1990	5.3	5.6	94.6
1991	6.0	6.8	88.2
1992	6.6	7.5	88.0
1993	5.4	6.9	78.3
1994	4.9	6.1	80.3
1995	4.6	5.6	82.1
1996	4.1	5.4	75.9
1997	3.5	4.9	71.4
1998	3.1	4.5	68.9
1999 (1)	2.9	4.3	67.4

(1) Data projected through March, 1999.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Exports

Between 1988 and 1997, both Indiana and the nation experienced strong export growth. During that period, Indiana exports increased by over 176%, exceeding overall national growth by 56%. See Table 26. However, in 1996 and 1997, annual national export growth exceeded Indiana's. This change did not appear to indicate weakness in Indiana's exports, but rather, larger changes in export markets. For example, the slower rate of growth in Indiana’s exports between 1995 and 1996 can be attributed to a drop in primary metals exports to Asia. When the value of primary metals exports is excluded, the balance of Indiana exports rose 7.6% in 1996. Meanwhile, national export growth in 1997 was largely attributable to very strong growth in a relatively small number of states. Canada, Japan and the United Kingdom are Indiana's leading export destinations, although in 1997, exports to Mexico increased sharply by over 64% or nearly $150 million.

For 1998, Indiana has experienced export growth of slightly more than 2% while exports for the United States decreased by about 1%. It is estimated that roughly 27.0% of Indiana's manufacturing workforce is employed in export related activity.

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Table 26
Indiana Exports

Year	Exports in Millions of Dollars: Indiana	U.S.	Annual Percentage Change: Indiana	U.S.	Indiana Percentage of U.S. Exports
1988	$ 4,759	$ 312,060	- %	- %	1.5%
1989	5,414	348,127	13.77	11.56	1.6
1990	6,359	392,975	17.46	12.88	1.6
1991	6,438	421,853	1.23	7.35	1.5
1992	6,837	447,471	6.21	6.07	1.5
1993	8,033	464,858	17.49	3.89	1.7
1994	9,261	512,416	15.29	10.23	1.8
1995	11,628	583,031	25.56	13.78	2.0
1996	12,039	622,827	3.53	6.83	1.9
1997	13,136	687,598	9.11	10.40	1.9
1998	13,403	680,474	2.03	(1.04)	2.0

Source: Massachusetts Institute for Social and Economic Research (MISER).

Transportation

Indiana is bordered on the north by Lake Michigan and the State of Michigan, on the south by the Ohio River and the Commonwealth of Kentucky, on the east by the State of Ohio, and on the west by the State of Illinois. The "Crossroads of America," Indiana is centrally situated within the Great Lakes region and is within a day's drive of nearly two-thirds of the United States' population. In addition to an extensive network of highways and railroads, the State has strong air service for both passengers and freight and access to the Great Lakes and the St. Lawrence Seaway, as well as the Ohio and Mississippi rivers.

Highways. Five interstate routes converge on Indianapolis. The Indiana Department of Transportation manages a network of more than 11,000 miles (17,600 km) of federal and State highways. The State is an important location for truck terminals and warehouse centers with nearly two-thirds of the United States population accessible within a day's drive.

Railroads. Indiana is served by at least 39 freight railroads according to the Rail Division of the Indiana Department of Transportation. The State rail network provides, among other transportation services, access between northeast and western states and between the City of Chicago and the southeastern states. The State has approximately 4,250 miles of railroad track.

Aviation. The State has 114 public use airports. Of these, five are primary commercial service airports, one is a commercial service airport, 11 are reliever airports and 97 are general aviation airports. The primary airports include one medium hub and two small hub airports and two nonhub airports.

Ports and Waterways. The Great Lakes/St. Lawrence Seaway and the Ohio River provide conduits for bulk commodities and general cargo movement of agricultural and manufacturing products. In 1970, the State opened Indiana's International Port, on Lake Michigan to accommodate international and Great Lakes traffic. In 1979, the State opened Southwind Maritime Centre, along the Ohio River, near Mount Vernon in southwest Indiana; and, in 1984, the State opened Clark Maritime Centre along the Ohio River, near Jeffersonville, in south central Indiana.

Public Transportation. Indiana's 39 public transit systems include fixed route and demand response bus systems including one commuter rail system (between South Bend and Chicago). The State's public transit systems carried over 28.0 million passengers in 1996, a decrease of 0.3% from 1995. Transit system vehicles traveled 27.0 million miles in 1996, an increase of 9.0% from 1995. Total fare revenue collected in 1996 was $26.7 million, an increase of 8.0% from 1995. The statewide farebox recovery percentage (which illustrates the extent to which total operating expenses are covered by fare-paying passengers) was 29.0% in 1996, an increase of 93.0% from 1995. The State Public Mass Transportation Fund, which receives .8% of total State Sales and Use Taxes, accounted for $21.8 million, or 23.0%, of total public transit operating revenues in 1996.

Education

Elementary and Secondary. Elementary and Secondary education in the State is provided by 294 school districts, which in the 1998-99 school year operated 1,187 elementary schools, 414 elementary/middle or junior high schools, 25 elementary/high schools, 104 middle or junior high schools/high schools, 73 middle or junior high schools, 257 high schools and 60 schools housing special education, vocational education and alternative programs. These numbers do not include private or independent or parochial elementary and high schools, which, in the 1998-99 school year, accounted for 11.3% of the total enrollment at elementary and secondary schools within the State. Public student enrollment for the 1998-99 school year was 988,114.

All public elementary and secondary schools are administered locally by elected or appointed school boards. At the State level, schools are administered by the State Board of Education, which is comprised of the Superintendent of Public Instruction (who serves as chairman) and ten members appointed by the Governor and the Superintendent of Public Instruction for four-year terms. At least four of the appointments must be actively employed in Indiana schools and hold valid teaching licenses. The State Board of Education is the State's policymaking and planning body for the public school system. The State Department of Education acts as the professional, technical and clerical staff for the Indiana State Board of Education.

Approximately 57,219 teachers and 9,260 other professional staff members were employed in the State public school system during the 1997-98 school year, resulting in a student teacher ratio (based on total enrollment, including special education programs) of 16.7:1. The average annual salary for public school teachers in the State (excluding part-time teachers) was $38,491 during the 1997-98 school year.

Higher Education. The Commission for Higher Education was established in 1971 to plan and coordinate the State's system of post-secondary education. The Commission develops long range plans, reviews budget requests of public post-secondary institutions and passes judgment on new degree programs of such institutions. The State university system is comprised of seven degree granting universities and colleges, as described below. Enrollment in all institutions in the fall of 1998 was 183,988 students (full-time equivalents).

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Public Post-Secondary Institutions

Name	Programs Offered	FTE Enrollment	Campus Locations
Ball State University	4-year	17,926	Muncie
Indiana State University	4-year	9,668	Terre Haute
Indiana University	4-year	69,568	Bloomington, Richmond, Kokomo, Gary, South Bend, New Albany, Indianapolis
Ivy Tech State College	2-year	22,633	Gary, East Chicago, South Bend, Elkhart, Valparaiso, Fort Wayne, Lafayette, Kokomo, Muncie, Anderson, Wabash Valley Richmond, Columbus and Bloomington, Lawrenceburg, Evansville, Sellersburg, Indianapolis
Purdue University	4-year	50,984	West Lafayette, Hammond, Michigan City, Fort Wayne, Westville, Calumet Region, Indianapolis
University of Southern Indiana	4-year	6,617	Evansville
Vincennes University	2-year	6,592	Vincennes, Jasper, Indianapolis

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LITIGATION

The following is a summary of certain significant litigation and other claims currently pending against the State. This summary is not exhaustive either as to the description of the specific litigation or claims described or as to all of the litigation or claims currently pending or threatened against the State.

In 1968, a lawsuit seeking to desegregate the Indianapolis Public Schools was filed in the United States District Court for the Southern District of Indiana. Since about 1978, the State has paid several million dollars per year for inter-district busing that is expected to continue through 2016. The federal court entered its final judgment in 1981 holding the State responsible for most costs of its desegregation plan, and those costs have been part of the State's budget since then. In June 1998, the parties negotiated an 18-year phase out of the desegregation plan that was approved by the Court and will gradually reduce the State's expenditures over that time frame.

On July 26, 1993, a lawsuit was filed in Marion Superior Court alleging that the State has failed to pay certain similarly classed State employees at an equal rate of pay. The plaintiffs in the action sought class action status. The relief sought includes damages in an unspecified amount, as well as injunctive relief. This matter is still pending and, if the plaintiffs are ultimately successful, the loss would be in excess of $5 million.

In a lawsuit filed against the State on January 9, 1993, the Marion County Superior Court invalidated the portion of the Medicaid disability standard that permits the State to ignore applicants' inability to pay for medical treatment that would lead to improvement in the applicant's medical condition. After an appeal and remand, the trial court again invalidated the standard in December 1999. This decision is being appealed and the State has moved for a stay pending appeal. If ultimately unsuccessful in this litigation, the estimated fiscal impact could be up to $68 million per year in additional State Medicaid expenditures, plus damages incurred in prior years by class members.

In 1993, certain transportation providers filed lawsuits against the State, challenging the current Medicaid reimbursement program for transportation services. The State prevailed before two trial courts, but the plaintiffs appealed. The State won the appeal, but the federal appeal resulted in a remand for lack of federal jurisdiction. The State will retry the federal issues before a state trial court. If the rules are ultimately enjoined, the State would forfeit savings in excess of $5 million.

In 1998, an action pursuant to the Federal False Claims Act was filed in the U.S. District Court for the Southern District of Indiana challenging the way the State has administered funds for services for senior citizens pursuant to the Older Americans Act. Plaintiff is claiming that the State should return some $4 million to $6 million in funds to the federal government, pay attorney's fees and a "whistle-blower's" fee of 25 percent of the total recovery. Cross motions for summary judgment are currently pending.

The State intends to vigorously defend each of the foregoing suits or other claims.

The State does not establish reserves for judgments or other legal or equitable claims against the State. Judgments and other such claims must be paid from the State's unappropriated balances and reserves, if any. See "FINANCIAL RESULTS OF OPERATIONS." With respect to tort claims only, the State's liability is limited to $300,000 for injury to or death of one person in any one occurrence, and $5,000,000 for injury to or death of all persons in that occurrence.

EXHIBIT A-1
TO
APPENDIX A

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE STATE OF INDIANA
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
4TH FLOOR, ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.state.in.us/sboa

INDEPENDENT AUDITORS' REPORT

TO: The Honorable Frank O'Bannon
The Legislative Council of the General Assembly, and
The Citizens of the State of Indiana

We have audited the accompanying general purpose financial statements of the State of Indiana as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the State of Indiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain component units of the State, as discussed in Note I(A), which statements reflect total assets and revenues of $4,229.1 million and $1,079.6 million, respectively, as of and for the year ended June 30, 1999. The financial statements of these component units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to those units, is based solely upon the reports of the other auditors. The reports represent 17.6% of special revenue fund assets, 100% of debt service fund assets, 5.4% of capital projects fund assets, 94.5% of enterprise fund assets, 88.4% of internal service fund assets and 100% of proprietary and governmental discretely presented component unit assets..

We conducted our audit in accordance with general accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Indiana as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note III (I) to the financial statements, the State of Indiana has restated certain beginning fund balances and retained earnings. The Housing Finance Authority, a discretely presented component unit, reports on a December 31, 1998 year end.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Indiana. The combining and individual fund financial statements, account groups and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, and not the information in the Introductory and Statistical sections, has been subjected to auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the fund types and account groups included in the general purpose financial statements taken as a whole. We express no opinion on the information in the Introductory or Statistical Sections.

The year 2000 supplementary information on page 58 is not a required part of the basic financial statements but is information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the State of Indiana is or will become year 2000 compliant, that the State of Indiana's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Indiana does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 1999, on our consideration of the State of Indiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

State Board of Accounts

December 28, 1999

STATE BOARD OF ACCOUNTS

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Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.state.in.us/sboa

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: The Honorable Frank O'Bannon
The Legislative Council of the General Assembly, and
The Citizens of the State of Indiana

We have audited the financial statements of the State of Indiana as of and for the year ended June 30, 1999, and have issued our report thereon dated December 28, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State of Indiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Indiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Indiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Single Audit Report of the State of Indiana.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions referred to above are considered to be material weaknesses.

This report is intended for the information of the State of Indiana's management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

State Board of Accounts

STATE BOARD OF ACCOUNTS

December 28, 1999

State of Indiana
Combined Balance Sheet
All Fund Types, Account Groups, and Component Units
June 30, 1999
(amounts expressed in thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and other debits:						
Assets:						
Cash, cash equivalents and investments - restricted	$ -	$ -	$ -	$ -	$ 48,675	$ 15,949
Cash, cash equivalents and investments - unrestricted	2,927,136	1,928,079	11,747	477,948	296,567	136,269
Cash and investments with fiscal agent	-	400,219	-	-	-	-
Securities lending collateral	2,809,026	480,041	-	271,444	-	-
Receivables:						
Taxes	647,034	204,089	-	1,578	-	-
Accounts	-	17,291	-	-	25,252	7,472
Grants	1,057	77,254	-	113	-	-
Notes	-	-	-	-	-	-
Interest	20,941	21,090	30	1,175	767	437
Contributions	-	-	-	-	-	-
Member loans	-	-	-	-	-	-
Interfund	38,830	7,500	-	34,665	-	-
Due from other funds	-	-	3,316	-	-	8,841
From investment sales	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from primary government	-	-	-	-	-	-
Advances to other funds	2,408	47,837	-	2,334	865	484
Intergovernmental loans	10,590	224,020	-	7,424	-	-
Student loans	-	-	-	-	-	-
Mortgage loans	-	-	-	-	-	-
Inventory	-	-	-	-	4,378	11,999
Prepaid expenses/expenditures	995	4,100	-	-	519	2,551
Food stamp inventory	-	101,410	-	-	-	-
Construction in progress	-	-	-	-	4,697	119,634
Bond issue costs - net of amortization	-	-	-	-	2,340	10,692
Property, plant and equipment, net	-	-	-	-	213,522	462,915
Other assets	-	-	-	861	11,846	457
Other debits:						
Amount available for debt service fund	-	-	-	-	-	-
Amount to provided for retirement of long term debt	-	-	-	-	-	-
Total assets and other debits	$ 6,456,017	$ 3,512,930	$ 15,093	$ 797,542	$ 609,428	$ 777,700
Liabilities, equity and other credits:						
Liabilities:						
Accounts payable	$ 137,841	$ 518,119	$ 2	$ 7,335	$ 22,553	$ 9,139
Accrued interest payable	-	-	4,385	-	5,628	33,286
Salaries and benefits payable	31,364	28,517	-	-	4,119	786
Capital lease payable	-	-	-	-	108	203
Pension / health / disability benefits payable	-	-	-	-	-	4,493
Interfund payables	-	33,093	-	-	49,665	-
Due to component unit	-	408,464	-	-	-	-
Due to other funds	3,721	8,436	-	-	-	-
Tax refunds payable	33,215	3,207	-	-	-	-
Deferred revenue	-	113,112	-	-	3,098	6,813
Accrued prize liability	-	-	-	-	52,707	-
Accrued liability for compensated absences	2,267	1,929	-	-	-	68
Intergovernmental payable	-	-	-	-	-	-
Escheated property liability	-	-	-	-	-	-
Investment purchases payable	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,728	1,694
Securities lending collateral	2,809,026	480,041	-	271,444	-	-
Obligations under reverse repurchase agreements	-	-	-	-	-	-
Reimbursement agreement obligation	-	-	-	-	-	-
Long term liabilities:						
Reimbursement agreement obligation	-	-	-	-	-	-
Construction retention	-	-	-	-	-	3,286
Accrued liability for compensated absences	-	-	-	-	288	1,487
Capital lease payable	-	-	-	-	254	69
Accrued prize liability	-	-	-	-	61,512	-
Advances from other funds	-	49,745	-	865	2,818	500
Revenue bonds / notes payable	-	-	-	-	249,285	640,463
Total liabilities	3,017,434	1,644,663	4,387	279,644	453,763	702,287
Equity and other credits:						
Investment in general fixed assets / plant	-	-	-	-	-	-
Contributed Capital	-	-	-	-	9,308	24,526
Retained earnings:						
Reserved (see note III. H.)	-	-	-	-	66,246	15,361
Unreserved	-	-	-	-	80,111	35,526
Fund balances:						
Reserved (see note III. H.)	327,113	1,099,538	10,706	22,797	-	-
Unreserved:						
Allocated	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-
Designated for appropriations	408,674	93,822	-	309,028	-	-
Designated for allotments	956,704	1,228,983	-	133,879	-	-
Undesignated	1,748,092	(554,076)	-	52,194	-	-
Total equity and other credits	3,440,583	1,868,267	10,706	517,898	155,665	75,413
Total liabilities, equity and other credits	$ 6,456,017	$ 3,512,930	$ 15,093	$ 797,542	$ 609,428	$ 777,700

The notes to the financial statements are an integral part of this statement.

Fiduciary Fund Types	Account Groups		Totals Primary Government	Component Units			Totals Reporting Entity
Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	Governmental	Proprietary	Colleges and Universities	(Memorandum Only)
$ -	$ -	$ -	$ 64,624	$ -	$ 432,843	$ -	$ 497,467
17,247,831	-	-	23,025,577	24,946	340,701	2,264,696	25,655,920
-	-	-	400,219	-	-	-	400,219
1,448,104	-	-	5,008,615	-	216,569	173,244	5,398,428
15,270	-	-	867,971	-	-	-	867,971
36	-	-	50,051	-	-	145,809	195,860
320	-	-	78,744	-	-	-	78,744
-	-	-	-	1,767	-	-	1,767
108,318	-	-	152,758	-	39,819	16,798	209,375
121,790	-	-	121,790	-	-	-	121,790
8,430	-	-	8,430	-	-	-	8,430
7,500	-	-	88,495	-	-	-	88,495
10,486	-	-	22,643	-	-	-	22,643
177,719	-	-	177,719	-	-	-	177,719
1,643	-	-	1,643	93	-	4,009	5,745
-	-	-	-	-	408,464	-	408,464
-	-	-	53,928	-	-	-	53,928
299,598	-	-	541,632	-	531,807	-	1,073,439
-	-	-	-	-	246,869	124,707	371,576
-	-	-	-	-	570,893	-	570,893
-	-	-	16,377	-	-	29,129	45,506
-	-	-	8,165	-	-	17,914	26,079
-	-	-	101,410	-	-	-	101,410
-	-	-	124,331	-	-	49,446	173,777
-	-	-	13,032	-	20,470	-	33,502
165	1,492,826	-	2,169,428	-	174	2,965,736	5,135,338
-	-	-	13,164	-	2,010	13,585	28,759
-	-	10,706	10,706	-	-	-	10,706
-	-	813,008	813,008	28,700	-	-	841,708
$ 19,447,210	$ 1,492,826	$ 823,714	$ 33,934,460	$ 55,506	$ 2,810,619	$ 5,805,073	$ 42,605,658
$ 348,814	$ -	$ -	$ 1,043,803	$ 20	$ 1,588	$ 155,714	$ 1,201,125
-	-	-	43,299	-	27,366	-	70,665
8,209	-	-	72,995	-	-	21,412	94,407
-	-	-	311	-	-	35,445	35,756
-	-	-	4,493	-	-	-	4,493
5,737	-	-	88,495	-	-	-	88,495
-	-	-	408,464	-	-	-	408,464
10,486	-	-	22,643	-	-	-	22,643
-	-	-	36,422	-	-	-	36,422
-	-	-	123,023	-	-	56,972	179,995
-	-	-	52,707	-	-	-	52,707
-	-	-	4,264	-	-	77,481	81,745
7,441	-	-	7,441	-	-	-	7,441
4,521	-	-	4,521	-	-	-	4,521
421,084	-	-	421,084	-	-	-	421,084
1,757	-	-	5,179	3,423	1,834	184,219	194,655
1,448,104	-	-	5,008,615	-	216,569	173,244	5,398,428
-	-	-	-	-	-	115,882	115,882
-	-	-	-	3,500	-	-	3,500
-	-	-	-	28,700	-	-	28,700
-	-	-	3,286	-	-	-	3,286
-	-	100,565	102,340	-	-	-	102,340
-	-	3,337	3,660	-	-	-	3,660
-	-	-	61,512	-	-	-	61,512
-	-	-	53,928	-	-	-	53,928
-	-	719,812	1,609,560	-	2,120,119	1,144,365	4,874,044
2,256,153	-	823,714	9,182,045	35,643	2,367,476	1,964,734	13,549,898
-	1,492,826	-	1,492,826	-	-	1,874,508	3,367,334
-	-	-	33,834	-	-	-	33,834
-	-	-	81,607	-	-	-	81,607
-	-	-	115,637	-	443,143	-	558,780
15,127,708	-	-	16,587,862	2,218	-	373,677	16,963,757
-	-	-	-	-	-	818,242	818,242
-	-	-	-	-	-	773,912	773,912
3,164	-	-	814,688	-	-	-	814,688
542,381	-	-	2,861,947	-	-	-	2,861,947
1,517,804	-	-	2,764,014	17,645	-	-	2,781,659
17,191,057	1,492,826	-	24,752,415	19,863	443,143	3,840,339	29,055,760
$ 19,447,210	$ 1,492,826	$ 823,714	$ 33,934,460	$ 55,506	$ 2,810,619	$ 5,805,073	$ 42,605,658

State of Indiana

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Funds, and Similar Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1999

(amounts expressed in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals Primary Government	Component Units	Totals Reporting Entity
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)	Governmental	(Memorandum Only)
Revenues:								
Taxes	$ 8,268,867	$ 2,539,921	$ -	$ 14,836	$ 280,518	$ 11,104,142	$ -	$ 11,104,142
Licenses, permits and franchises	18,579	365,502	-	-	-	384,081	-	384,081
Current service charges	158,519	386,351	-	134	-	545,004	783	545,787
Investment income	307,750	81,734	871	30,799	126,366	547,520	554	548,074
Sales/rents	1,315	63,848	-	-	-	65,163	11	65,174
Member contributions	-	-	-	-	39,224	39,224	-	39,224
Grants	4,099	4,109,582	-	8,801	11,560	4,134,042	-	4,134,042
Donations/escheats	-	1,665	-	-	17,879	19,544	-	19,544
Other	7,388	182,381	-	985	667	191,421	2	191,423
Total revenues	8,766,517	7,730,984	871	55,555	476,214	17,030,141	1,350	17,031,491
Expenditures:								
Current:								
General government	1,699,060	1,571,016	-	-	1,793	3,271,869	-	3,271,869
Public safety	512,774	394,002	-	-	-	906,776	-	906,776
Health	120,133	192,959	-	-	-	313,092	-	313,092
Welfare	375,570	4,370,598	-	-	5,640	4,751,808	-	4,751,808
Conservation, culture and development	84,161	375,793	-	-	307,874	767,828	2,699	770,527
Education	4,858,851	516,680	-	-	22	5,375,553	-	5,375,553
Transportation	2,900	1,213,406	-	-	-	1,216,306	-	1,216,306
Member withdrawals	-	-	-	-	15,788	15,788	-	15,788
Other	950	-	-	-	-	950	-	950
Capital outlays	-	-	-	113,989	-	113,989	-	113,989
Debt service	-	-	55,701	-	-	55,701	-	55,701
Total expenditures	7,654,399	8,634,454	55,701	113,989	331,117	16,789,660	2,699	16,792,359
Excess (deficiency) of revenues over (under) expenditures	1,112,118	(903,470)	(54,830)	(58,434)	145,097	240,481	(1,349)	239,132
Other financing sources (uses):								
Loss on reimbursement agreement	-	-	-	-	-	-	(3,500)	(3,500)
Bond Proceeds	-	-	2,315	177,964	-	180,279	-	180,279
Operating transfers in	1,860,357	3,964,465	55,488	396,378	571,000	6,847,688	-	6,847,688
Operating transfers (out)	(2,804,740)	(2,973,791)	(100)	(338,257)	(560,820)	(6,697,708)	-	(6,697,708)
Operating transfers in -- component unit	-	-	-	-	4,813	4,813	4,975	9,788
Operating transfers (out) -- component unit	(4,975)	-	-	-	-	(4,975)	-	(4,975)
Proceeds from capital leases	301	679	-	-	-	980	-	980
Total other financing sources (uses)	(949,057)	991,353	57,703	236,085	(5,007)	331,077	1,475	332,552
Excess of revenues and other financing sources over (under) expenditures and other uses	163,061	87,883	2,873	177,651	140,090	571,558	126	571,684
Fund balances, July 1, as restated	3,282,199	1,780,384	7,833	340,247	1,801,427	7,212,090	19,737	7,231,827
Residual equity transfers	(4,677)	-	-	-	-	(4,677)	-	(4,677)
Fund balances, June 30	$ 3,440,583	$ 1,868,267	$ 10,706	$ 517,898	$ 1,941,517	$ 7,778,971	$ 19,863	$ 7,798,834

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
(Budgetary Basis Variances with GAAP)
General and Special Revenue Fund Types
For the Year Ended June 30, 1999
(amounts expressed in thousands)

	General fund			Special revenue funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Tax	$ 6,760,144	$ 8,149,121	$ 1,388,977	$ 2,488,992	$ 2,456,229	$ (32,763)
Licenses	20,706	18,579	(2,127)	336,420	365,502	29,082
Current service charges	106,399	158,931	52,532	486,563	379,924	(106,639)
Investment income	100,000	202,331	102,331	17,215	14,637	(2,578)
Sales	-	1,315	1,315	12,362	13,722	1,360
Grants	82,900	3,266	(79,634)	3,395,345	3,821,889	426,544
Donations	-	-	-	5,729	1,894	(3,835)
Other	-	7,388	7,388	155,767	162,508	6,741
Total revenues	7,070,149	8,540,931	1,470,782	6,898,393	7,216,305	317,912
Expenditures:						
General government	1,770,520	1,548,014	222,506	1,558,203	1,472,788	85,415
Public safety	572,733	487,891	84,842	398,155	345,040	53,115
Health	123,119	115,744	7,375	202,418	181,945	20,473
Welfare	436,544	362,309	74,235	4,223,110	4,004,719	218,391
Conservation, culture and development	152,018	77,942	74,076	442,225	335,166	107,059
Education	4,967,364	4,913,673	53,691	523,636	513,747	9,889
Transportation	4,903	2,952	1,951	1,195,563	1,181,563	14,000
Other	4,393	1,347	3,046	-	-	-
Total expenditures	8,031,594	7,509,872	521,722	8,543,310	8,034,968	508,342
Excess of revenues over (under) expenditures	(961,445)	1,031,059	1,992,504	(1,644,917)	(818,663)	826,254
Other financing sources (uses):						
Net transfers in (out)	(1,454,778)	(954,030)	500,748	669,501	939,251	269,750
Total other financing sources (uses)	(1,454,778)	(954,030)	500,748	669,501	939,251	269,750
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ (2,416,223)	77,029	$ 2,493,252	$ (975,416)	120,588	$ 1,096,004
Fund balances July 1, as restated		2,384,961			1,276,931	
Fund balances June 30		$ 2,461,990			$ 1,397,519	

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combined Statement of Revenues, Expenses and Changes in Retained Earnings (or Equity)
All Proprietary Fund Types, Nonexpendable Trust Funds and Similar Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1999

(amounts expressed in thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals Primary Government	Component Units	Totals Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Proprietary Fund Types	(Memorandum Only)
Operating revenues:						
Sales/rents/premiums	$ 702,488	$ 71,972	$ -	$ 774,460	$ -	$ 774,460
Toll receipts	82,403	-	-	82,403	-	82,403
Charges for services	-	60,781	-	60,781	-	60,781
Interest on program loans	-	-	7,973	7,973	60,862	68,835
Investment income	-	-	-	-	75,397	75,397
Insurance premiums	-	84,768	-	84,768	-	84,768
Other	1,317	401	-	1,718	7,954	9,672
Total operating revenues	786,208	217,922	7,973	1,012,103	144,213	1,156,316
Cost of sales	464,926	16,004	-	480,930	-	480,930
Gross Margin	321,282	201,918	7,973	531,173	144,213	675,386
Operating expenses:						
General and administrative expense	71,727	66,491	21,076	159,294	19,248	178,542
Claims expense	1,530	-	-	1,530	-	1,530
Health / disability benefit payments	-	69,635	-	69,635	-	69,635
Death settlements	-	455	-	455	-	455
Medical expense reimbursement	-	268	-	268	-	268
Depreciation and amortization	11,561	19,060	-	30,621	2,997	33,618
Other	130	-	-	130	764	894
Total operating expenses	84,948	155,909	21,076	261,933	23,009	284,942
Operating income (loss)	236,334	46,009	(13,103)	269,240	121,204	390,444
Nonoperating revenues (expenses):						
Interest and other investment income (expense)	(10,430)	(29,114)	5,482	(34,062)	(92,620)	(126,682)
Gain (loss) on disposition of assets	-	72	-	72	-	72
Other	(2,378)	(600)	-	(2,978)	(2,563)	(5,541)
Total nonoperating revenues (expenses)	(12,808)	(29,642)	5,482	(36,968)	(95,183)	(132,151)
Income before operating transfers	223,526	16,367	(7,621)	232,272	26,021	258,293
Operating transfers in	-	18,957	33,170	52,127	-	52,127
Operating transfers (out)	(209,396)	(20,711)	(2,000)	(232,107)	-	(232,107)
Operating transfers (out) - component units	-	-	-	-	(4,813)	(4,813)
Net operating transfers	(209,396)	(1,754)	31,170	(179,980)	(4,813)	(184,793)
Net income (loss)	14,130	14,613	23,549	52,292	21,208	73,500
Retained earnings/fund balances, July 1, as restated	132,227	36,274	397,881	566,382	421,935	988,317
Retained earnings/fund balances, June 30	$ 146,357	$ 50,887	$ 421,430	$ 618,674	$ 443,143	$ 1,061,817

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combined Statement of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds and Similar Discretely Presented Component Units
For the Fiscal Year Ended June 30, 1999
(amounts expressed in thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Totals Primary Government	Component Units	Totals
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Proprietary Fund Types	Reporting Entity (Memorandum Only)
Cash flows from operating activities:						
Operating income (loss)	$ 236,334	$ 46,009	$ (13,103)	$ 269,240	$ 121,204	$ 390,444
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation/amortization expense	11,561	19,060	-	30,621	3,027	33,648
Other provisions	2,539	(2,493)	-	46	3,829	3,875
(Increase) decrease in accounts receivable	(14,704)	(2,735)	-	(17,439)	-	(17,439)
(Increase) decrease in interest receivable	-	-	(2,205)	(2,205)	(969)	(3,174)
(Increase) decrease in intergovernmental loans	-	-	-	-	(66,333)	(66,333)
(Increase) decrease in student loans	-	-	-	-	(2,495)	(2,495)
(Increase) decrease in mortgage loans	-	-	-	-	(30,617)	(30,617)
(Increase) decrease in due from other funds	-	(343)	-	(343)	-	(343)
(Increase) decrease in inventory	785	286	-	1,071	-	1,071
(Increase) decrease in prepaid expenses	13	1,611	-	1,624	-	1,624
(Increase) decrease in other assets	-	-	-	-	(531)	(531)
Increase (decrease) in health claims incurred	-	(6,209)	-	(6,209)	-	(6,209)
Increase (decrease) in benefits payable	-	(720)	-	(720)	-	(720)
Increase (decrease) in accounts payable	(3,440)	(243)	(7)	(3,690)	517	(3,173)
Increase (decrease) in accrued interest payable	-	-	-	-	2,998	2,998
Increase (decrease) in deferred revenue	190	398	-	588	(152)	436
Increase (decrease) in salaries payable	193	(10)	-	183	-	183
Increase (decrease) in compensated absences	-	193	-	193	-	193
Increase (decrease) in due to other funds	(5,852)	(2,972)	-	(8,824)	-	(8,824)
Increase (decrease) in accrued prize liability	14,698	-	-	14,698	-	14,698
Increase (decrease) in other liabilities	(160)	75	-	(85)	(396)	(481)
Net cash provided (used) by operating activities	242,157	51,907	(15,315)	278,749	30,082	308,831
Cash flows from noncapital financing activities:						
Operating transfers in (out)	(209,396)	(1,754)	31,170	(179,980)	(4,813)	(184,793)
Increase (decrease) in contributed capital	-	4,677	-	4,677	-	4,677
Issuance of intergovernmental loans	-	-	(42,737)	(42,737)	-	(42,737)
Proceeds from intergovernmental loans	-	-	26,308	26,308	-	26,308
Interest, debt issue costs	-	-	-	-	(116,875)	(116,875)
Proceeds from issuance of debt	-	-	-	-	606,705	606,705
Principal payments - bonds / notes	-	-	-	-	(437,327)	(437,327)
Net cash provided (used) by noncapital financing activities	(209,396)	2,923	14,741	(191,732)	47,690	(144,042)
Cash flows from capital and related financing activities						
Acquisition of fixed assets	(10,004)	(96,037)	-	(106,041)	-	(106,041)
Proceeds from sale of fixed assets	-	481	-	481	-	481
Proceeds from issuance of long-term debt	-	82,935	-	82,935	-	82,935
Principal payments – capital leases	(106)	(926)	-	(1,032)	-	(1,032)
Principal payments – bonds/notes	(11,355)	(11,170)	-	(22,525)	-	(22,525)
Interest, debt issue costs	(17,784)	(31,716)	-	(49,500)	-	(49,500)
Net cash provided (used) by capital and related financing activities	(39,249)	(56,433)	-	(95,682)	-	(95,682)
Cash flows from investing activities:						
Proceeds from sale of investments	607,145	142,781	123,760	873,686	456,888	1,330,574
Purchase of investments	(641,976)	(135,962)	(113,923)	(891,861)	(591,329)	(1,483,190)
Interest received	7,647	3,996	5,369	17,012	21,000	38,012
Net cash provided (used) by investing activities	(27,184)	10,815	15,206	(1,163)	(113,441)	(114,604)
Net increase (decrease) in cash and cash equivalents	(33,672)	9,212	14,632	(9,828)	(35,669)	(45,497)
Cash and cash equivalents, July 1	131,025	38,738	29,333	199,096	136,299	335,395
Cash and cash equivalents, June 30	$ 97,353	$ 47,950	$ 43,965	$ 189,268	$ 100,630	$ 289,898
Reconciliation of cash, cash equivalents and investments:						
Cash and cash equivalents at end of year	$ 97,353	$ 47,950	$ 43,965	$ 189,268	$ 100,630	$ 289,898
Investments	247,889	104,268	75,596	427,753	672,914	1,100,667
Cash, cash equivalents and investments per balance sheet	$ 345,242	$ 152,218	$ 119,561	$ 617,021	$ 773,544	$ 1,390,565
Noncash investing, capital and financing activities:						
Fixed asset portion of contributed capital	2,639	-	-	2,639	-	2,639
Addition of fixed assets	22	4,237	-	4,259	-	4,259

The notes to the financial statements are an integral part of this statement.

State of Indiana
Combined Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 1999
(amounts expressed in thousands)

Additions:	
Member contributions	$ 224,145
Employer contributions	884,692
Net investment income	1,494,177
Operating transfers in	35,259
Other	1,180
Total additions	2,639,453
Deductions:	
Pension benefits	764,103
Disability and other benefits	20,950
Refunds of contributions and interest	45,863
Investment expense	107,333
Administrative	7,152
Operating transfers out	5,259
Other	146
Total deductions	950,806
Net increase (decrease)	1,688,647
Net assets held in trust for pension benefits, July 1, as restated	13,139,463
Net assets held in trust for pension benefits, June 30	**$ 14,828,110**

The notes to the financial statements are an integral part of this statement.

State of Indiana

Combined Statement of Changes in Fund Balances

Discretely Presented Component Units - Colleges and Universities

For the Fiscal Year Ended June 30, 1999

(amounts expressed in thousands)

	Current funds			
	Unrestricted	Restricted	Total current funds	Loan funds
Revenue and other additions:				
Current fund revenues	$ 1,404,657	$ 3,042	$ 1,407,699	$ -
Grants, gifts and contracts	13,491	592,602	606,093	117,194
Appropriations	658,141	42,602	700,743	-
Additions to plant and facilities	-	-	-	-
Retirement of indebtedness	-	-	-	-
Endowment and investment income	10,921	9,073	19,994	2,386
Bond proceeds	-	-	-	-
Sales and services	34,900	14,623	49,523	150
Auxiliary services	501,876	34,915	536,791	-
Other additions	140,424	7,148	147,572	490
Total revenues and other additions	2,764,410	704,005	3,468,415	120,220
Expenditures and other deductions:				
Current fund expenditures	2,066,290	7,234	2,073,524	-
Restricted fund expenditures	-	660,534	660,534	-
Indirect costs recovered	-	28,051	28,051	-
Direct student loans issued	-	-	-	113,905
Loan cancellations and administration	-	-	-	3,078
Administration	-	-	-	-
Expended for plant facilities and disposals	-	-	-	-
Bond issues and issuance costs, retirements	-	-	-	-
Debt service requirements	-	-	-	-
Depreciation and amortization	-	-	-	-
Other deductions	1,039	1,417	2,456	226
Auxiliary services	488,711	-	488,711	-
Total expenditures and deductions	2,556,040	697,236	3,253,276	117,209
Excess of revenues and other additions over (under) expenditures and other deductions	208,370	6,769	215,139	3,011
Transfers from (to) other funds:				
Mandatory transfers	(119,963)	6,611	(113,352)	(51)
Non-mandatory transfers	(62,603)	8,647	(53,956)	498
Total transfers from / to other funds	(182,566)	15,258	(167,308)	447
Net increase (decrease) for the year	25,804	22,027	47,831	3,458
Fund balance, July 1, as restated	508,002	106,818	614,820	53,228
Fund balance, June 30	$ 533,806	$ 128,845	$ 662,651	$ 56,686

The notes to the financial statements are an integral part of this statement.

Endowments and similar funds	Plant funds: Unexpended	Plant funds: Renewal and replacement	Plant funds: Retirement of indebtedness	Plant funds: Investment in plant	Plant funds: Total plant funds	Total colleges and universities
$ -	$ -	$ -	$ 2,888	$ -	$ 2,888	$ 1,410,587
12,563	18,289	194	459	5,183	24,125	759,975
-	68,245	4,520	-	-	72,765	773,508
-	7,093	-	-	267,095	274,188	274,188
-	595	-	14,027	158,302	172,924	172,924
102,681	24,549	8,131	1,976	-	34,656	159,717
-	48,720	-	78,235	-	126,955	126,955
-	-	-	-	-	-	49,673
-	-	-	-	-	-	536,791
1,027	31,608	22	6,147	-	37,777	186,866
116,271	199,099	12,867	103,732	430,580	746,278	4,451,184
-	-	-	-	-	-	2,073,524
-	-	-	-	-	-	660,534
-	-	-	-	-	-	28,051
-	-	-	-	-	-	113,905
-	-	-	-	-	-	3,078
1,644	7,752	9,657	671	-	18,080	19,724
-	194,321	20,621	-	8,044	222,986	222,986
-	153	-	61,671	165,187	227,011	227,011
-	2,098	-	152,050	-	154,148	154,148
-	-	-	-	199,676	199,676	199,676
8,366	949	373	239	-	1,561	12,609
-	-	-	-	-	-	488,711
10,010	205,273	30,651	214,631	372,907	823,462	4,203,957
106,261	(6,174)	(17,784)	(110,899)	57,673	(77,184)	247,227
-	1,119	8,645	100,984	-	110,748	(2,655)
(7,787)	64,227	6,633	9,656	(16,616)	63,900	2,655
(7,787)	65,346	15,278	110,640	(16,616)	174,648	-
98,474	59,172	(2,506)	(259)	41,057	97,464	247,227
684,784	126,918	241,097	38,813	1,833,452	2,240,280	3,593,112
$ 783,258	$ 186,090	$ 238,591	$ 38,554	$ 1,874,509	$ 2,337,744	$ 3,840,339

State of Indiana

Combined Statement of Current Fund Revenues, Expenditures and Other Changes

Discretely Presented Component Units - Colleges and Universities

For the Fiscal Year Ended June 30, 1999

(amounts expressed in thousands)

	Current funds		
	Unrestricted	Restricted	Total current funds
Revenues:			
Student tuition and fees	$ 848,201	$ 3,042	$ 851,243
Governmental appropriations	1,095,575	81,125	1,176,700
Federal, state and local grants and contracts	52,904	470,147	523,051
Auxiliary services	500,372	-	500,372
Sales and services	73,803	14,070	87,873
Investment and endowment income	37,149	8,657	45,806
Other gifts and grants	1,028	32,052	33,080
Other revenue	154,292	8,078	162,370
Total revenues	2,763,324	617,171	3,380,495
Expenditures and mandatory transfers:			
Educational and General:			
Instruction and departmental research activities	1,086,854	65,206	1,152,060
Research	52,576	224,640	277,216
Academic support	228,791	25,172	253,963
Operation and maintenance of plant	224,807	53	224,860
Student Aid, Scholarships and fellowships	79,152	155,868	235,020
Public service	51,944	156,391	208,335
Student services	100,383	2,265	102,648
Administrative and institutional support	219,956	2,146	222,102
Other expenditures	19,064	1,170	20,234
Total educational and general	2,063,527	632,911	2,696,438
Auxiliary enterprises:			
Expenditures	491,928	480	492,408
Mandatory transfers	119,963	(6,611)	113,352
Total current fund expenditures and mandatory transfers	2,675,418	626,780	3,302,198
Other transfers and additions (deductions):			
Excess (deficit) of restricted receipts over transfers to revenues	-	23,028	23,028
Transfers from (to) other funds	(62,102)	8,608	(53,494)
Total other transfers and additions (deductions)	(62,102)	31,636	(30,466)
Increase (decrease) in fund balance	$ 25,804	$ 22,027	$ 47,831

The notes to the financial statements are an integral part of this statement.

STATE OF INDIANA

Notes to the Financial Statements and Required Supplementary Information
June 30, 1999

Table of Contents

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government (State of Indiana) and its component units (entities for which the government is considered to be financially accountable). Blended component units, although legally separate entities, are in substance part of the government's operations; data from these units are combined with data of the primary government. Discretely presented component units are reported in three separate columns, one column for the governmental fund type, one for proprietary fund types, and one for colleges and universities, in the combined financial statements. This is to emphasize that, as well as legally separate from the government, they also provide services to and benefit local governments and/or the citizens of the State of Indiana. Of the component units, the Housing Finance Authority has a December 31, 1998 year end.

Blended Component Units.

The following are blended component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. Although they are legally separate from the State, the units are reported as if they were part of the State because they provide services entirely or almost entirely to the State. All of these component units are audited by auditors other than the State Board of Accounts.

The Indiana Transportation Finance Authority (ITFA) was established to include the construction, reconstruction and improvements of all toll roads, toll bridges, state highways, bridges, and streets and roads. The Authority was further authorized to finance improvements related to an airport or aviation-related property or facilities including the acquisition of real property. The Authority is reported in various governmental funds and an enterprise fund.

The Recreational Development Commission was created to provide funds for projects involving the Department of Natural Resources' (DNR) properties. The five member commission includes the Treasurer of State, Director of DNR and three governor appointees. The Commission is reported as an internal service fund.

The State Lottery Commission of Indiana is composed of five members appointed by the governor. Net proceeds from the Lottery are distributed to the State to be used to supplement teachers' retirement, pension relief, and the Build Indiana Fund. A portion of the Build Indiana Fund is then used to supplement Motor Vehicle Excise Tax Replacement. The Commission is reported as an enterprise fund.

The State Office Building Commission was created to issue revenue bond debt obligations to provide funds for financing the implementation of the Indiana Government Center Master Plan and to construct certain correctional facilities. The Commission is reported as an internal service fund.

Discretely Presented Component Units.

The following are discretely presented component units of the State of Indiana. The primary government appoints a voting majority of their boards and is able to impose its will. All component units, except colleges and universities, are audited by outside auditors.

The Indiana Development Finance Authority (IDFA) provides job-creating industrial development projects with access to capital markets where adequate financing is otherwise unavailable. The Authority is reported as a governmental fund.

The Indiana Secondary Market for Education Loans, Inc. (ISM) was formed at the request of the governor to purchase education loans in the secondary market. The unit is reported as a proprietary fund.

The Indiana Board for Public Depositories was established to ensure the safekeeping and prompt payment of all public funds deposited in Indiana banks. The Board, consisting of the Governor, Treasurer of State, Auditor of State, Chairman of the Commission for Financial Institutions, State Examiner of the State Board of Accounts and four members appointed by the Governor, provides insurance on public funds in excess of the $100,000 Federal Deposit Insurance Corporation limit. The unit is reported as a proprietary fund.

The Indiana Bond Bank, created in 1984, is controlled by a board composed of the Treasurer of State, Director of the Department of Financial Institutions and five appointees of the governor. The Bond Bank issues debt obligations and invests the proceeds in various projects of state and local governments. The unit is reported as a proprietary fund.

The Indiana Housing Finance Authority was created in 1978 for the purpose of financing residential housing for persons and families of low and moderate incomes. The Authority consists of the Director of the Department of Financial Institutions, the Director of the Department of Commerce, the State Treasurer and four persons appointed by the governor. The unit is reported as a proprietary fund.

The Indiana Housing Finance Authority and the Indiana Bond Bank were determined to be significant for note disclosure purposes involving the discretely presented proprietary component units.

Each of the seven colleges and universities included in this report was established by individual legislation to provide higher education opportunities to the citizens of Indiana. The authority to administer the operations of each institution is granted to a separate board of trustees for each of the seven institutions. The number and makeup of the board of trustees of each college and university is prescribed by legislation specific for that institution. Four universities have nine member boards; two have ten member boards; Indiana Vocational Technical College has a thirteen-member board of trustees. Appointments to the boards of trustees are made by the governor and by election of the alumni of the respective universities. Purdue University and Indiana University were determined to be significant for note disclosure purposes involving the colleges and universities.

The financial statements of the individual component units may be obtained from their administrative offices as follows:

Indiana Transportation Finance Authority
One North Capital Suite 320
Indianapolis, IN 46204

Recreational Development
Commission
Government Center South, W256
402 W. Washington Street
Indianapolis, IN 46204

State Lottery Commission of Indiana
Pan Am Plaza
201 S. Capitol, Suite 1100
Indianapolis, IN 46225

State Office Building Commission
Government Center South, W478
402 W. Washington Street
Indianapolis, IN 46204

Indiana Development Finance
Authority
One North Capitol, Suite 320
Indianapolis, IN 46204-2226

Secondary Market for Education Loans, Inc.
8425 Woodfield Crossing Boulevard
Suite 401
Indianapolis, IN 46204

Board for Public Depositories
101 W. Washington St., Suite 1301E
Indianapolis, IN 46204

Indiana Bond Bank
2980 Market Tower
10 West Market St.
Indianapolis, IN 46204

Indiana Housing Finance Authority
115 West Washington Street
Suite 1350, South Tower
Indianapolis, IN 46204

Accounting Services
1062 Freehafer Hall
Purdue University
West Lafayette, IN 47907-1062

Richard W. Schmidt
Vice President - Business Affairs
University of Southern Indiana
8600 University Boulevard
Evansville, IN 47712

Office of the Vice President
and Chief Financial Officer
Bryan Hall, Rm. 204
Indiana University
Bloomington, IN 47405-1202

Mark Husk
Director of Budgeting and Accounting
Indiana Vocational Technical
College
Indianapolis, IN 46206-1763

Robert J. Stryzinski
Vice President-Financial
Services
Vincennes University
1002 North 1st Street
Vincennes, IN 47591

William A. McCune, Controller
Administration Bldg., 103A
2600 University Avenue
Ball State University
Muncie, IN 47305

Office of the Vice President
for Planning and Budgets
Parsons Hall, RM. 223
Indiana State University
Terre Haute, IN 47809

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The government has the following fund types and account groups:

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and related liabilities, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Individual gross income taxes, corporation income taxes, sales taxes, motor fuel and motor carrier surcharge taxes, and alcoholic beverage taxes collected within 30 days after the end of the fiscal year are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and assistance awards are recorded at the time of receipt or earlier if the "susceptible to accrual" criteria is met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue* funds account for revenue sources that are legally restricted to expenditure for specific purposes (not expendable trusts or major capital projects).

The *debt service* fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects* funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements issued before November 30, 1989 and those issued after which do not contradict any previously issued GASB pronouncement in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary funds account for assets held by or on behalf of the government in a trustee capacity or as an agent on behalf of others.

The *expendable trust funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

The *nonexpendable trust funds* and *pension trust funds* are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent. The pension trust fund accounts for the assets of the government's employees pension plan.

The *agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. Assets, Liabilities and Equity

1. Deposits, Investments and Securities Lending

For purposes of reporting cash flows, cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity (generally three months or less from the date of acquisition). Cash and cash equivalents are stated at cost, which approximates fair value.

Cash balances of most State funds are commingled in general checking accounts and several special purpose banking accounts. The available cash balance not necessary beyond immediate need is pooled and invested. Interest earned from investments purchased with pooled cash is deposited in the general fund, except as otherwise provided by statute.

Investments and secured lending transactions are stated at fair value in accordance with GASB 31 and 28. However, money market investments and participating interest-earning investment contracts that mature within one year of acquisition are reported at amortized cost. Fair value is determined by quoted market prices. In addition, the pension trust funds and securities lending transactions are stated at fair value in accordance with GASB 25 and 28, respectively.

Indiana Code 5-13-9 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

The Treasurer of State is authorized by statute to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50 percent of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Bond indentures of the Indiana Transportation Finance Authority authorize investments in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, tax exempt securities, savings accounts, certificates of deposit (CDs) and repurchase agreements (repos) secured by government securities.

The State Office Building Commission trust indentures authorize obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, tax exempt securities, new Housing Authority bonds, savings and CDs, repos and reverse repos secured by government securities, investment agreements and commercial paper. Indiana Code permits investment in shares of management type investment trusts provided those trusts invest in securities of the types specified above.

Money held in the trust fund of the State Lottery Commission for the deferred payment of prizes may be invested by the Treasurer of State in annuities sold by an insurance company licensed to do business in Indiana (A.M. Best rating of A or equivalent) or in direct U.S. Treasury obligations.

Investments of the Recreational Development Commission will be kept in depositories designated as depositories for funds of the State as selected by the Commission, in the manner provided by IC 5-13-9.

The investments of the State's retirement systems are governed by separate investment guidelines, except for the State Police Retirement Fund, which is governed by the guidelines set forth in the preceding paragraphs. Investments which are authorized for the State Teacher's Retirement Fund include: U.S. Treasury and Agency obligations, corporate bonds/notes, repurchase agreements, mortgage securities, commercial paper, and bankers' acceptances. The remaining six retirement systems and the Pension Relief Fund are administered by the Public Employees' Retirement Fund Board. The Board is required to diversify investments in accordance with prudent investment standards. Investment guidelines, issued by the Board, contain limits and goals for each type of investment portfolio, and specify prohibited transactions. These guidelines authorized investments of: U.S. Treasury and Agency obligations, corporate bonds/notes, common stocks, repurchase agreements, mortgage securities, commercial paper, and bankers' acceptances.

Certain deposits of State funds are entrusted to an outside agent to invest and disburse as per federal requirements or contract. The State Revolving Fund is held by a fiscal agent and included as a special revenue fund.

2. Receivables and Payables

Certain taxes collected during the month of July are accrued. These taxes include employee withholding and other individual income taxes, corporate income tax, sales tax, alcoholic beverage tax, motor fuel and motor carrier surcharge tax, inheritance tax, financial institution tax, and employer contributions to the Unemployment Compensation fund.

Due dates are as follows:

> Sales, alcoholic beverage, gasoline and special fuel tax -- due by the 20th day after the end of the month collected.
>
> Corporate, motor fuel and motor carrier surcharge tax – due on or before the last day of the month immediately following each quarter of the calendar year.
>
> Employee withholding tax – depending on the amount of total withholding, due by the 20th day after the end of the month or quarterly.
>
> Individual income tax -- estimates due by the 15th of the month immediately following each quarter or the calendar year.
>
> Inheritance tax -- due eighteen months after the decedent's date of death.
>
> Financial institutions tax – due on or before the fifteenth day of the fourth month following the close of the taxpayer's taxable year.
>
> Unemployment employers' contributions – shall immediately become due and payable on the basis of wages paid or payable.

Tax refunds paid during the month of July are accrued as tax refunds payable as they are paid from current financial resources. These include individual, corporate and sales tax.

The State of Indiana does not collect property taxes, which are collected by local units of government; a minor portion is remitted to the state semiannually (June and December) for distribution to the State Fair Commission, Department of Natural Resources and Family and Social Services Administration.

3. *Interfund transactions*

The State has the following types of interfund transactions:

Quasi-external Transactions - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund.

Residual Equity Transfers - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from fund equity.

Operating Transfers - Legally authorized transfers other than residual equity transfers are reported as operating transfers.

The types of assets and liabilities resulting from these transactions are:

Advances from / to - These are balances arising from the long-term portion of interfund transactions, including loans.

Interfund receivables / payables - These are balances arising from the short-term portion of interfund transactions.

Due from / to - These are balances arising in connection with quasi-external transactions or reimbursements. Balances relating to discretely presented component units are presented as 'Due from / to component units.'

4. *Inventories and Prepaid Items*

Inventories for the Inns & Concessions, State Lottery Commission, Institutional Industries and Administration Services Revolving are valued at cost; Toll Road inventories are valued at lower of cost or market. The costs of governmental fund-type inventories are recorded as expenditures when purchased. The first in/first out (FIFO) method is used for valuation of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. *Restricted Assets*

Certain assets of the following proprietary funds are classified as restricted assets because their use is completely restricted by bond indentures, contracts or statute.

State Office Building Commission - designated for construction projects or the liquidation of revenue bonds payable.
Recreational Development Commission - designated for the costs of expanding and, renovating, and improving recreational facilities at Indiana State parks.
State Lottery Commission - reserved for the prize pool of the Multi-State Lottery Association.
Toll Roads - held for future debt service, transportation improvements and construction.
Indiana Housing Finance Authority - restricted or pledged as provided by bond resolutions and indentures of the trust agreements.
Indiana Bond Bank – restricted to repayment of bonds and notes payable.

6. *Fixed Assets*

Fixed assets used in governmental fund types with a cost of $5,000 or greater are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, highway land and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value or materially extend the life of the asset are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary and pension trust funds are recorded at cost or estimated historical cost. Property, plant and equipment donated to proprietary funds are recorded at their estimated fair value at the date of donation. Capital grants to the Inns & Concessions (grants restricted by the grantor for the acquisition and/or construction of fixed assets) are recorded as contributed capital; since these contributions are from the primary government, depreciation expense for these assets is included with depreciation of other assets. Contributed capital is reduced by the cost of assets returned to the contributor.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary and similar trust funds using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-40
Improvements other than buildings	10-20
Furniture, machinery and equipment	3-10
Software	3
Motor Pool Vehicles	10 cents per mile

7. *Compensated Absences*

Full-time employees of the State of Indiana are permitted to accumulate earned but unused vacation and sick pay benefits. Vacation leave accumulates at the rate of one day per month and sick leave at the rate of one day every two months plus an extra day every four months. Bonus vacation days are awarded upon completion of five, ten and twenty years of employment. Personal leave days are earned at the rate of one day every four months; any personal leave accumulated in excess of three days automatically becomes part of the sick leave balance. Upon separation of service, in good standing, employees will be paid for a maximum of thirty (30) unused vacation leave days.

No liability is reported for unpaid accumulated sick leave. Vacation and personal leave and salary-related payments that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. Vacation leave is accrued when incurred in proprietary funds and reported as a fund liability.

8. Long-Term Obligations

Long-term debt of governmental funds is reported at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Fund Equity

Reservations of fund balance represent those portions of fund balances that are legally segregated for a specific purpose or are not appropriable. In the accompanying balance sheet, reserves for encumbrances and tuition support are examples of the former. Reserves for intergovernmental loans and advances receivables are examples of the latter. The following is a brief description of each reserve and the purpose for which it was established:

Reserve for Tuition Support - established to recognize that the legislature has set aside money, as determined by the State Budget Agency, for paying the monthly distributions to local school units at the beginning of the succeeding fiscal year.

Reserve for Encumbrances - established to recognize money set aside out of one year's budget for goods and/or services ordered during that year that will not be paid for until they are received in a subsequent year.

Reserve for Prepaid Items – established to recognize payments made in advance of receipt of goods and services in an exchange transaction.

Reserve for Advances - established to recognize long-term loans and advances issued to other funds within this government and therefore not currently available for expenditure.

Reserve for Intergovernmental Loans - established to recognize that the legislature has set aside money to lend to local units of government for specific purposes. These amounts are loans to individual school corporations, cities, towns, counties and other governmental units. Additionally, the general fund lends money to nonprofit entities. All loans require review and approval of the Board of Finance prior to issuance.

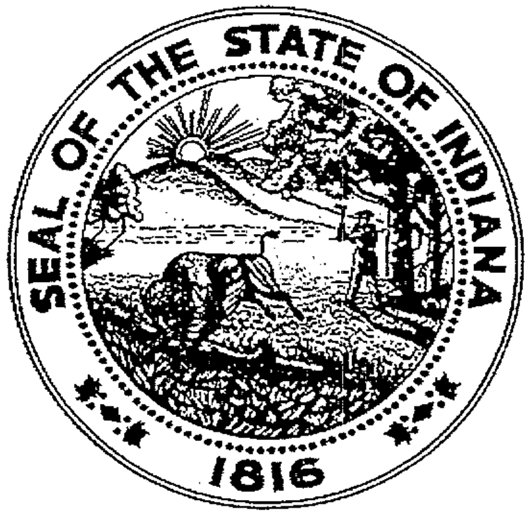
Reserve for Debt Service, Special Purposes– established to recognize that certain amounts have been set aside for debt service and for purposes specific to a particular component.

Designations of fund balance represent tentative management plans that are subject to change.

The proprietary funds' contributed capital represent equity acquired through capital grants and capital contributions from other funds.

10. Memorandum Only -- Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.



II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Legislation requires that the Governor submit a budget biennially to be adopted by the General Assembly for the ensuing two-year period. The budget covers the general fund and most special revenue funds, but excludes various special revenue funds that are not subject to appropriation pursuant to state law. Funds excluded are the Pension Relief Fund, the Transportation Finance Authority - Highway Revenue Bonds, and the State Revolving Fund. In addition there are various "Other Special Revenue Funds" excluded which are the Public Safety Death Benefit Fund, the Armory Board, the Recreation funds at state institutions and mental facilities, and the Transportation Finance Authority - Airport Facilities and Aviation Technology Funds. Those special revenue funds subject to legally adopted budgets are presented in the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual. Those special revenue funds excluded from this schedule, as compared to the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds, do not have legally adopted budgets. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated revenues. Appropriations for programs funded from special revenue funds may allow expenditures in excess of original appropriations to the extent that revenues collected exceed estimated revenues.

The budgetary bill is enacted as the Appropriations Act that the Governor may veto, subject to legislative override. Except as specifically provided by statute, appropriations or part thereof remaining unexpended and unencumbered at the close of any fiscal year will lapse and be returned to the fund from which it was appropriated.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is maintained at the fund level by the State Budget Agency. When budgets are submitted for each fund center, certain recurring expenditures are not budgeted (medical service payments, unemployment benefits, tort claims) according to instructions from the State Budget Agency to the various agencies. The Budget Agency monitors all fund centers regularly in addition to monitoring excess general fund revenue that will be available at the end of the fiscal year to cover the non-budgeted, recurring expenditures.

Budgeted amounts are as adopted or amended by supplemental appropriations that were necessary during the current year. The State Board of Finance, which consists of the Governor, Auditor of State and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The State Budget Agency may transfer, assign, and reassign almost any appropriation, except those restricted by law; but only when the uses and purposes of the funds concur. Excess general fund revenue is used to cover non-budgeted recurring expenditures and overdrafts of budgeted amounts at the end of the current year. These actions are considered supplemental appropriations, therefore, expenditures do not exceed appropriations for individual funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities. Funds encumbered in the prior year are carried forward in the ensuing year's budget. The availability of unencumbered funds in the subsequent year is dependent upon the legislative or administrative controls established when the fund center was originated.

B. Budget/GAAP Reconciliation

The cash basis of accounting (budgetary basis) is applied to each budget. The budgetary basis differs from GAAP. The major differences between budgetary (non-GAAP) basis and GAAP basis are:

	General fund	Special revenue funds
Excess of revenues and other financing sources over (under) expenditures and other financing uses (budgetary basis)	$ 77,029	120,588
Adjustments necessary to convert the results of operations on a budgetary basis to a GAAP basis are:		
Revenues are recorded when earned (GAAP) as opposed to when cash is received (budgetary)	114,575	47,693
Expenditures are recorded when the liability is incurred (GAAP) as opposed to when payment is made (budgetary)	(33,220)	(164,522)
Residual equity transfers (GAAP) reported as operating transfers (budgetary)	4,677	-
Funds not subject to legally adopted budget	-	84,124
Excess of revenues and other financing sources over (under) expenditures and other financing uses (GAAP basis)	$ 163,061	$ 87,883

C. Deficit Fund Equity

At June 30, 1999, various funds had deficit equity balances caused by temporary cash overdrafts from pooled cash and investments and the posting of accruals to the balance sheet. Temporary cash overdrafts are reported as an interfund payable to the general fund. An exception to this is the Bureau of Motor Vehicles Commission fund which has a deficit equity balance of $49.1 million. $46.6 million of this was caused by long-term expenditures in excess of fund revenues. The funds used to cover the $46.6 million deficit are reported as an Advance from the Motor Vehicle Highway Fund.

Fund	Overdraft from pooled cash	Accrual deficits
Special revenue funds:		
Title XX	-	(3,442)
Medicaid Assistance	-	(175,683)
Medicaid Administration	-	(2,050)
Health and environmental programs	-	(5,365)
Vocational Rehabilitation Division	(2,259)	(2,929)
School Lunch	(211)	(11,723)
Community Development Block Grant	(27)	(3,721)
Low Income Energy Assistance Block Grant	(837)	-
EICA Chapter II LEA Distribution Fund	(706)	-
Capital projects funds:		
Major Construction - Indiana Army National Guard	-	(96)
Internal service funds:		
State Police Benefit Fund	-	(1,209)
Expendable trust funds:		
Employment Security Refund	-	(2,198)
Employment Security Benefits	(5,661)	-
Federal Benefit	(76)	-

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits, Investments, and Securities Lending

The deposits with financial institutions for the primary government and its discretely presented component units at year end were entirely insured by federal depository insurance, state depository insurance, or collateralized securities held by the State or by an agent in the State's name.

Investment are categorized into these three categories of credit risk: (1) Insured or registered, or securities held by the State (or its component unit) or an agent in the State's or unit's name. (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's or unit's name. (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's or unit's name.

Blended component units that are included in the financial statements as described in Section 1(A) account for $427.8 million of the primary government's total investments included in these totals.

Primary Government

	Category			Fair
	1	2	3	Value
Commercial paper				
Not on securities loan	$ 7,099	$ 240,273	$ 193,359	$ 440,989
Corporate debt/equity securities				
Not on securities loan	9,009,763	177,827	487,588	9,676,773
On securities loan	-	57,506	-	57,506
Foreign bonds				
Not on securities loan	82,155	-	-	82,155
Repurchase agreements				
Not on securities loan	595,211	225,338	567,394	1,387,943
On securities loan	-	149,100	-	149,100
US Treasury & agency obligations				
Not on securities loan	2,433,584	457,827	449,330	3,340,741
On securities loan	22,000	227,423	454,626	704,049
Bankers acceptances	-	-	25,000	25,000
Mortgage securities				
Not on securities loan	1,426,184	830	-	1,427,014
On securities loan	-	5,000	-	5,000
Totals	$ 13,575,996	$ 1,541,124	$ 2,177,297	17,296,270
Uncategorized investments:				
Investments held by broker-dealers under securities loans:				
Corporate bonds				111,055
US Treasury & agency obligations				4,825,508
Foreign bonds				98
Securities lending S-T cash collateral investment pool				3,385,718
Mutual funds				50,116
Annuity/investment contracts				412,689
Other				961
Total primary government				$ 26,082,415

The categories of investments for the Significant Discretely Presented Component Units is as follows:

Significant Discretely Presented Component Units	Category 1	Category 2	Category 3	Fair Value
Commercial paper				
Not on securities loan	$ 16,928	$ -	$ -	$ 16,928
Corporate debt/equity securities				
Not on securities loan	176,802	-	-	176,802
On securities loan	1,981	-	-	1,981
Repurchase agreements				
Not on securities loan	163,319	-	2,437	165,756
On securities loan	114,181	-	-	114,181
US Treasury & agency obligations				
Not on securities loan	614,755	19,290	7,293	641,338
On securities loan	717	-	-	717
Guaranteed investment contracts and other	316,186	-	131,025	447,211
Securities lending S-T non-cash collateral investment pool	172,549	-	2,733	175,282
Totals	$ 1,577,418	$ 19,290	$ 143,488	1,740,196
Investments--Not Categorized				
Investments held by broker-dealers under securities loans				
Corporate bonds				9,519
US Treasury & agency obligations				48,583
Securities lending S-T cash collateral investment pool				58,869
Total significant discretely presented component units				$ 1,857,167

State statutes and policies permit the State to lend securities to broker-dealers and other entities (borrowers) for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The State's custodial banks manage the securities lending programs and receive securities or cash as collateral. The types of securities lent during the year may include U.S. Treasury and agency obligations, corporate bonds/notes, and foreign bonds. Collateral securities and cash are initially pledged at 102 percent of the market value of the securities lent. Generally, there are no restrictions on the amount of assets that can be lent at one time, except for the Public Employees Retirement Fund and the State Teachers Retirement Fund which allow no more than 40% be lent at one time. The collateral securities cannot be pledged or sold by the State unless the borrower defaults, but cash collateral may be invested. At year-end, the State had no credit risk exposure to a borrowers because the amount the State owes the borrowers exceed the amounts the borrowers owe the State. Cash collateral is generally invested in securities of a longer term with the mismatch of maturity's generally 0-15 days. The contracts with the State's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

B. Interfund Transactions

The composition of interfund balances as of June 30, 1999 is as follows:

	Advances to other funds	Advances from other funds
General fund:		
Special revenue funds:		
Other	$ 2,408	$ -
Total general fund	2,408	-
Special revenue funds:		
General fund	-	2,408
Special revenue funds:		
Motor Vehicle Highway Fund	-	46,639
Bureau of Motor Vehicles Commission	46,639	-
Other:		
Environmental Management Fund	-	698
Voluntary Clean-Up fund	263	-
Voluntary Compliance fund	435	-
Internal service funds:		
Recreational Development Commission	500	-
Total special revenue funds	47,837	49,745
Capital projects funds:		
Enterprise funds:		
Toll bridges	2,334	865
Total capital projects funds	2,334	865
Enterprise funds:		
Capital projects funds:		
Interstate Bridge Fund	865	2,334
Internal service funds:		
Recreational Development Commission	-	484
Total enterprise funds	865	2,818
Internal service funds:		
Special revenue funds:		
Other	-	500
Enterprise funds:		
Inns and concessions	484	-
Total internal service funds	484	500
Total advances	$ 53,928	$ 53,928

	Due from other funds	Due to other funds
General fund:		
Internal service funds:		
Institutional industries	$ -	$ 1,421
Administrative services revolving fund	-	2,300
Total general fund	-	3,721
Special revenue funds:		
Debt service funds:		
Transportation Finance Authority:		
Aviation Technology bonds	-	318
Airport Facilities bonds	-	2,998
Internal service funds:		
Institutional industries	-	2,152
Administrative services revolving fund	-	2,968
Total special revenue funds	-	8,436
Debt service funds:		
Special revenue funds:		
Other	3,316	-
Total debt service funds	3,316	-
Internal service funds:		
General fund	3,721	-
Special revenue funds:		
County welfare administration	788	-
Motor Vehicle Highway Fund	2,587	-
Title IV-D	448	-
Welfare Work Incentive	204	-
Bureau of Motor Vehicles Commission	41	-
Health and environmental programs	36	-
Vocational Rehabilitation Division	40	-
State Highway Department	127	-
Employment security administration	94	-
Other	755	-
Total internal service funds	8,841	-
Trust and agency funds:		
Pension trust:		
Public Employees' Retirement Fund	2,534	7,952
Teachers' Retirement Fund	5,710	2,534
1977 police officers' and firefighters'	2,242	-
Total trust and agency funds	10,486	10,486
Total due from / to	$ 22,643	$ 22,643

The composition of interfund balances as of June 30, 1999 is as follows: (continued)

Interfund receivables and payables

	Interfund receivable	Interfund payable
General fund:		
Special revenue funds:		
Vocational Rehabilitation Division	2,259	-
School Lunch	211	-
Community Development Block Grant	27	-
Low Income Energy Assistance Block Grant	2,340	-
Financial Institution Tax Fund	419	-
Federal Food Stamp Program	791	-
EICA Chapter II LEA distribution fund	706	-
Handicapped Education	2,652	
Pension Relief Fund	20,000	-
Employment security administration	3,688	-
Expendable trust funds:		
Employment security benefits	5,661	-
Federal benefit	76	-
Total general fund	38,830	-
Special revenue funds:		
General fund	-	33,093
Enterprise funds:		
State Lottery Commission	7,500	-
Total special revenue funds	7,500	33,093
Capital projects funds:		
Enterprise funds:		
State Lottery Commission	34,665	-
Total capital projects funds	34,665	-
Enterprise funds:		
Special revenue funds:		
Pension Relief Fund	-	7,500
Capital projects funds:		
Build Indiana Fund	-	34,665
Pension trust funds:		
Teachers' Retirement Fund	-	7,500
Total enterprise funds	-	49,665
Trust and agency funds:		
General fund	-	5,737
Enterprise funds:		
State Lottery Commission	7,500	-
Total trust and agency funds	7,500	5,737
Total interfund receivable / payable	$ 88,495	$ 88,495

Component units

	Due from primary government	Due to component unit
Special revenue funds:		
Discretely presented component units:		
Indiana Bond Bank	-	408,464
Total special revenue funds	-	408,464
Discretely presented component units:		
Special revenue funds:		
State Revolving Fund	408,464	-
Total discretely presented component units	408,464	-
Total due from / to	$ 408,464	$ 408,464

A summary of interfund operating transfers for the year ended June 30, 1999 is as follows:

	Operating transfers in	Operating transfers (out)	Operating transfers in - component units	Operating transfers (out) - component units	Net transfers
Governmental funds:					
General fund	$ 1,860,357	$ (2,804,740)	$ -	$ (4,975)	$ (949,358)
Special revenue funds	3,964,465	(2,973,791)	-	-	990,674
Debt service funds	55,488	(100)	-	-	55,388
Capital projects funds	396,378	(338,257)	-	-	58,121
Proprietary funds:					
Enterprise Funds	-	(209,396)	-	-	(209,396)
Internal Service Funds	18,957	(20,711)	-	-	(1,754)
Trust and agency funds:					
Expendable Trust and Agency	571,000	(580,820)	4,813	-	(5,007)
Non expendable Trust	33,170	(2,000)	-	-	31,170
Pension Trust	35,259	(5,259)	-	-	30,000
Discretely presented component units:					
Governmental	-	-	4,975	-	4,975
Proprietary	-	-	-	(4,813)	(4,813)
	$ 6,935,074	$ (6,935,074)	$ 9,788	$ (9,788)	$ -

C. Taxes Receivable/Tax Refunds Payable

Taxes Receivable/Tax Refunds Payable as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	General fund	Special revenue funds	Capital projects funds	Expendable trust	Total
Sales taxes	$ 188,320	$ 127,550	$ -	$ -	$ 315,870
Individual income taxes	376,743	-	-	-	376,743
Corporate taxes	49,086	-	-	-	49,086
Motor fuel taxes	-	10,618	-	-	10,618
Gasoline taxes	-	45,608	-	-	45,608
Alcoholic beverage taxes	1,389	-	1,578	-	2,967
Motor carrier surcharge taxes	-	7,491	-	-	7,491
Inheritance taxes	31,496	-	-	-	31,496
Financial institution taxes	-	12,822	-	-	12,822
Unemployment - employers' contributions	-	-	-	15,270	15,270
Total taxes receivable	$ 647,034	$ 204,089	$ 1,578	$ 15,270	$ 867,971
Tax refunds payable	$ 33,215	$ 3,207	$ -	$ -	$ 36,422

D. Fixed Assets

Activity in the general fixed assets account group for the State for the year ended June 30, 1999, was as follows. Figures include assets with an individual cost of $5,000 or more. Infrastructure assets are not included.

	Balance, July 1, As restated	Additions	Deletions	Balance, June 30
Land	$ 129,186	$ 162	$ -	$ 129,348
Buildings and improvements	1,009,712	7,268	41	1,016,939
Furniture, machinery, and equipment	354,246	14,338	22,045	346,539
Total general fixed assets	$ 1,493,144	$ 21,768	$ 22,086	$ 1,492,826

The following is a summary of proprietary fund type fixed assets at June 30, 1999. Infrastructure assets are included as they are presented on the respective balance sheets.

	Enterprise funds	Internal service funds
Buildings, land and improvements	$ 116,135	$ 539,833
Infrastructure	450,392	-
Furniture, machinery, and equipment	42,511	41,338
less: accumulated depreciation	(395,516)	(118,256)
Construction in progress	4,697	119,634
Total fixed assets	$ 218,219	$ 582,549

Fixed assets of the significant discretely presented component units include $2,549 million for Indiana University, less accumulated depreciation of $1,205 million; $1,497 million for Purdue University, less accumulated depreciation of $668 million.

E. Leases

Operating Leases

The State leases building and office facilities and other equipment under non-cancelable operating leases.. Total costs for such leases with aggregate payments of $5,000 or more were $31.85 million for the year ended June 30, 1999. A table of future minimum lease payments (excluding executory costs) is presented below.

Capital Leases

The State has entered into various lease agreements with aggregate payments of $5,000 or more to finance the acquisition of buildings, land and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the general fixed assets account group. The related lease obligations are reported in the general long-term debt account group.

The future minimum lease obligations, the net present value of these minimum lease payments as of June 30, 1999 and the assets acquired through capital lease during the fiscal year were as follows:

Future minimum lease payments

Year ending June 30,	Operating leases	Capital leases: General Long-Term Debt Account Group	Capital leases: Proprietary funds
2000	$ 30,839	$ 1,576	$ 210
2001	23,277	867	187
2002	15,880	473	151
2003	10,390	289	142
2004	6,600	250	7
Thereafter	41,010	250	-
Total minimum lease payments (excluding executory costs)	$ 127,996	$ 3,705	$ 697
Less:			
Amount representing interest		(368)	(63)
Present value of future minimum lease payments		$ 3,337	$ 634

Assets acquired through capital lease

Item	General Long-Term Debt Account Group	Proprietary funds
Machinery and equipment	980	55
less accumulated depreciation	-	(7)
	$ 980	$ 48

Purdue University, a significant discretely presented component unit, also is the lessee for capital leases totaling $48.3 million, of which $13.9 million represents interest; Indiana University's liability for capital leases is $2.7 million, of which $.6 million represents interest.

F. Long-Term Debt

Long-term debt of the general long-term debt account group consists of revenue bond obligations of the Indiana Transportation Finance Authority Highway Revenue Bonds, Airport Facility Bonds, and Aviation Technology Bonds. Other long term obligations of the general long term debt account group include capital lease obligations of governmental funds as presented in Section III(E), compensated absence obligations, litigation liabilities, and net pension obligations.

Long-term debt of the proprietary funds consists of revenue bonds issued by the State Office Building Commission, the Recreational Development Commission, and the Indiana Transportation Finance Authority Toll Roads. It also includes the non-current portion of prize liability accrued by the Indiana State Lottery Commission. These entities have been established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions.

Long-term debt of the significant discretely presented component units consists of bonds issued or backed by the Indiana Development Finance Authority, the Indiana Housing Finance Authority, the Indiana Bond Bank, Indiana University, and Purdue University. As with the entities in the proprietary funds, these entities have the separate legal authority to finance certain essential governmental functions.

Revenue bonds are issued by entities established by statute as corporate and politic units with the separate legal authority to finance certain essential governmental functions. Income from the acquired or constructed assets is used to pay debt service.

General Long-Term Debt Account Group:

Indiana Transportation Finance Authority (ITFA) Highway Revenue Bonds – In 1988 the Transportation Finance Authority was granted the power to construct, acquire, reconstruct, improve and extend Indiana highways, bridges, streets and roads (other than the East-West Toll Road) from proceeds of highway revenue bonds issued by the Authority. The bonds are paid solely from and secured exclusively by the pledge of revenues from leases to the Indiana Department of Transportation of completed highway revenue bond projects. Bonds issued are corporate obligations of ITFA and are payable solely from and secured exclusively by the pledge of revenues from the leases of the projects financed out of the bond proceeds, the proceeds of such bonds and the investment earnings thereon. ITFA has no taxing power and any indebtedness incurred by ITFA does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

The Highway Revenue Bond – Series 1988B matured on December 1, 1998. Trust accounts have been closed and the remaining funds of $101,080 were transferred to the ITFA operating account.

Under the authority of PL 260-1997, The Highway Revenue Bond – Series 1998A was issued during the fiscal year ended June 30, 1999 for the purpose of financing certain projects from the State's Accelerated Construction Effort (ACE). The ACE is a list of backlogged highway construction projects.

On March 26, 1993, the Authority refunded a portion of their 1988A & B Series Bonds. The amount of defeased debt still outstanding, but removed from the General Long-Term Debt Account Group as of June 30, 1999, was $98.6 million.

On December 11, 1996, the Indiana Transportation Finance Authority issued Highway Refunding Bonds Series 1996B in the amount of $27,110,000 with interest rates from 3.85% to 6%. The refunding debt was used to refund the Series 1992A bonds. A portion of the proceeds was deposited in an escrow fund. As of June 30, 1999, the amount of defeased debt still outstanding but removed from the General Long Term Debt Group was $24.8 million.

Indiana Transportation Finance Authority (ITFA) Airport Facilities Revenue Bonds – In 1991, the General Assembly authorized, under Indiana Code 8-21-12, to finance improvements related to an airport or aviation related property or facilities, including the acquisition of real estate, by borrowing money and issuing revenue bonds. Any bonds issued are corporate obligations of ITFA and are payable solely from and secured exclusively by the pledge of revenues from the leases of the projects financed out of the bond proceeds, the proceeds of such bonds and the investment earnings thereon. ITFA has no taxing power and any indebtedness incurred by ITFA does not constitute an indebtedness of the State within the meaning or application of any constitutional provision or limitation.

On February 11, 1992, the Transportation Finance Authority issued bonds in the principal amount of $201.3 million. Additionally, Series 1995A parity bonds in the amount of $29.7 million were issued May 15, 1995. The bonds were issued to finance certain improvements related to the United Airlines maintenance facility at Indianapolis International Airport. These bonds are payable from rental revenues as may be appropriated by the Indiana General Assembly for that purpose.

On December 1, 1996, the Authority issued Airport Facilities Lease Revenue Refund Bonds Series 1996A in the amount of $137.7 million with interest rates from 4.5% to 6%. A portion of the proceeds was deposited in an escrow fund to refund a portion of the 1992 issue. The amount of defeased debt still outstanding but removed from the General Long Term Debt Account Group at June 30, 1999 was $127 million.

Indiana Transportation Finance Authority (ITFA) Aviation Technology Center Lease Bonds, Series A – On November 1, 1992, The Indiana Transportation Finance Authority issued Aviation Technology Center Lease Bonds - Series A, in the principal amount of $11.6 million. These bonds were issued to finance the costs of construction and equipping a new aviation technology center at Indianapolis International Airport. These bonds are payable from lease revenues as may be appropriated from the Indiana General Assembly for that purpose.

Changes in Long-Term Liabilities: During the year ended June 30, 1999, the following changes occurred in liabilities reported in the general long-term debt account group.

	Balance, July 1, as restated	accretions and additions	reductions	Balance, June 30
Compensated absences	$ 93,484	$ 58,794	$ 51,713	$ 100,565
Revenue bond debt	558,204	178,268	16,660	719,812
Capital leases	4,413	980	2,056	3,337
Totals	$ 656,101	$ 238,042	$ 70,429	$ 823,714

Proprietary Funds:

Indiana State Office Building Commission – The Indiana State Office Building Commission (SOBC) was created as a public body corporate and politic by the 1953 Acts of the Indiana General Assembly. The SOBC is authorized to construct and equip such facilities as the General Assembly may authorize through the issuance of revenue bonds. The SOBC has issued debt obligations to provide funds for financing the implementation of the Indiana Government Center Master Plan and to finance acquisition costs (including design and construction costs) of the Indiana Museum, Miami Correctional Facility, Pendleton Juvenile Correctional Facility, New Castle Correctional Facility and the Replacement Evansville State Hospital. The facilities are rented to the Indiana Department of Administration (DOA) under use and occupancy agreements.

Bonds issued by the SOBC are obligations only of the SOBC and are payable solely from and secured exclusively by the pledge of the income of the applicable facility financed. The SOBC has no taxing authority and rental payments by the DOA are subject to and dependent upon appropriations made for such purposes by the General Assembly.

On September 8, 1993, the Commission issued $178.4 million in advance refunding Capital Complex Revenue Bonds (Series 1993 A, B and C Bonds). This series of bonds was issued to fully refund in advance of their stated maturity dates certain Capital Complex Revenue Bonds from the 1986, 1987, 1988 and 1990 A, B and C Series. On January 1, 1998, Facilities Revenue Refinance Bonds Series 1998A in the amount of $93 million with interest rates from 3.9% to 5.125% were issued to fully refund in advance of their stated maturity dates the 1991 Series Bonds. The net proceeds were used to purchase U.S Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service for the refunded bonds. At June 30, 1999, the Commission had a total of $292.8 million defeased bonds outstanding.

On February 18, 1999, the Commission amended and restated the Hoosier Notes credit agreement dated February 18, 1998 which provides up to $150 million of commercial paper to provide interim financing for the acquisition and construction of certain facilities. Outstanding borrowings under this facility at June 30, 1999 were $135 million and bears interest at the LIBOR rate plus .25% or 70% of the bank's prime lending rate. The interest rates in effect at June 30, 1999 range from 3.1% to 3.2%.

Recreational Development Commission – In 1987 and 1990 revenue bonds were issued to provide funds to renovate and equip Abe Martin Lodge and Turkey Run Inn and to construct cabins at Harmonie and Whitewater State Parks. Lease agreements with the Indiana Department of Natural Resources State Park Inns are used to repay the bond issues. The buildings and land will then be deeded back to the State of Indiana.

In 1994, the Commission executed three Escrow Deposit Agreements with bank trustees for the purpose of refunding revenue debentures issued in 1987 and 1990. A portion of the proceeds from the 1994A Revenue Bonds was used to fund the redemption. At June 30, 1999, the Commission had a total of $3.2 million defeased bonds outstanding.

On January 1, 1997, the Commission issued $6.6 million of Series 1997 Revenue Bonds with interest rates from 4% to 5.35% to finance a golf course at Ft. Harrison State Park.

Indiana Transportation Finance Authority – East-West Toll Roads – The Indiana Transportation Finance Authority (ITFA) is the successor to the Indiana Toll Finance Authority created in 1983 pursuant to IC 8-9.5. ITFA is a body both corporate and politic and, although separate from the State, the exercise by ITFA of its powers constitutes an essential government function. ITFA's duties consist of the construction, reconstruction, improvement, maintenance, repair and operation of all toll roads and bridges in the state. To exercise its duties, ITFA may issue bonds under statute.

Bonds issued are corporate obligations of ITFA and are payable solely from and secured exclusively by the pledge of the revenues from the leases to the Indiana Department of Transportation of the projects financed out of the bond proceeds and the proceeds of such bonds and the investment earnings thereon. ITFA has no taxing power and any indebtedness incurred by ITFA does not constitute an indebtedness of the State within the meaning or application of the any constitutional provision or limitation.

During September 1985, ITFA issued $256.9 million of Indiana Toll Finance Authority Toll Road Revenue Refunding Bonds, Series 1985 for the refunding of the outstanding portion of the Indiana Toll Commission East-West Toll Road Revenue Bonds, 1980 Series. At June 30, 1999, the principal amount of the Series 1980 bonds, which have been defeased in substance, was $220.0 million.

During March 1987, ITFA issued $184.7 million of Indiana Toll Finance Authority Toll Road Revenue Refunding Bonds, Series 1987 to provide for the early redemption of an aggregate of $144.2 million of the Series 1985 bonds. At June 30, 1999, the principal amount of the Series 1985 bonds, which have been defeased in substance, was $144.2 million.

During October 1993, ITFA issued $76 million of Indiana Transportation Finance Authority Taxable Toll Road Lease Revenue Refunding Bonds, Series 1993 to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of a portion of the outstanding 1985 Series. At June 30, 1999, the principal amount of defeased debt outstanding was $66.9 million.

During October 1996, ITFA issued $134.8 million of Series 1996 Revenue Refunding Bonds with interest rates from 3.9% to 6.5%. The proceeds were placed in trust for the purpose of generating resources for future debt service payments on the Series 1987 Bonds. At June 30, 1999, the principal amount of defeased debt outstanding was $127.1 million.

Revenue bonds outstanding at June 30, 1999 (less unamortized discount of $32.3 million) are as follows.

	Interest rates	Amount
General Long-Term Debt Account Group		
ITFA Highway Revenue Bonds	4.20% - 7.25%	481,127
ITFA Airport Facilities Bonds	4.50% - 6.50%	228,365
ITFA Aviation Technology Center Bonds	5.50% - 6.50%	10,320
		719,812
Proprietary funds:		
Indiana State Office Building Commission	2.75% - 7.50%	480,692
Recreational Development Commission	3.60% - 6.13%	24,473
ITFA Toll Roads	3.90% - 9.50%	249,285
		754,450

State Lottery Commission Accrued Prize Liability – Accrued prize liability includes an estimate of unclaimed instant and on-line game winners and future television game show prizes awarded on shows committed to as of June 30, 1999 as well as installment amounts payable to past game show and on-line winners. Installment prizes are recorded at a discount based on interest rates which range from approximately 3% to 9% and reflect interest earned by investments held to fund related liabilities. At June 30, 1999, the accrued prize liability was $114.2 million including $52.7 million in current prize liability and $61.5 million in long-term prize liability.

Revenue bond debt service and accrued prize liability requirements to maturity, including $927.2 million of interest, are as follows.

Fiscal year ending June 30,	General Long Term Debt Account Group	Proprietary funds	Total
2000	$ 55,377	$ 76,357	$ 131,734
2001	55,727	73,580	129,307
2002	59,849	75,907	135,756
2003	60,219	79,393	139,612
2004	60,536	100,944	161,480
Thereafter	856,701	1,002,218	1,858,919
Total	$ 1,148,409	$ 1,408,399	$ 2,556,808

Long-Term Debt of the Significant Discretely Presented Component Units is as follows:

Indiana Development Finance Authority – The Indiana Development Finance Authority (IDFA) was established by the General Assembly as a body corporate and politic to independently exercise essential public functions. IDFA's primary purpose is to provide job-creating industrial development projects with access to capital markets where adequate financing is not otherwise available.

IDFA is a party to a reimbursement agreement with Qualitech Steel Corporations (Qualitech) and a bank relating to the $33.1 million Indiana Development Authority Taxable Variable Rate Demand Economic Development Revenue Bonds Series 1996. Qualitech filed a petition for relief under Chapter 11 of the Bankruptcy Code. As a result, IDFA could be obligated to pay the outstanding balance of the bond issue. The amount of this obligation aggregates $28.7 million, which is presented in the IDFA's General Long-Term debt Account Group.

For more information, see Note IV E. Contingencies and Commitments – Loss from Reimbursement Agreement.

Indiana Housing Finance Authority – In 1978, the Indiana Housing Finance Authority (the Authority) was granted the power to issue bonds for the purpose of financing residential housing for persons and families of low and moderate incomes. These bonds are special obligations of the authority and are payable solely from the revenues and assets pledged. Various series of bonds have been issued with an original amount of $1,092 million with interest rates ranging from 3.80% to 9.375%. The total outstanding debt associated with these bond issues as of December 31, 1998 was $714 million.

During 1993, the Authority used three bank loans to refinance or redeem bonds in the 1983A, B, and C Series and the 1984A and B Series Single Family Mortgage Indenture Series. The principal amount of these loans totaled $31.8 million. The Authority repaid the 1983A and B bank loan during 1998. The total outstanding debt associated with these bank loans as of December 31, 1998 was $.8 million.

During 1996, the Authority used one new bank loan to redeem all of the bonds from the General Fund Collateralized Mortgage Obligation Series A. The principal amount of this loan totaled $21.6 million.

During 1998, the Single Family Mortgage Program Fund redeemed the remaining bonds on the 1987 Series B, through an optional redemption at a premium of 102.5% resulting in a premium paid of $155,250. The Authority also redeemed the remaining bonds on the 1987 Series C, through an optional redemption at a premium of 102.5% resulting in a premium paid of $137,375. In addition, the Authority redeemed the remaining bonds on the 1997 Series E. These transactions resulted in deferred debt issuance cost and original issue discount of $145,549 and $2,949, respectively.

During 1998, the Residential Mortgage Program Fund redeemed the remaining bonds on the 1988 Series RA. This resulted in a write-off of deferred debt issuance cost and original issue discount of $141,704 and $4,638, respectively.

Indiana Bond Bank – The Bond Bank is an instrumentality of the State of Indiana but is not a state agency and has no taxing power. It has separate corporate and sovereign capacity and is composed of the Treasurer of State (who serves as Chairman of the Board, ex officio), the Director of the Department of Financial Institutions (who serves as director, ex-officio), and five directors appointed by the Governor. The Bond Bank is authorized to buy and sell securities for the purpose of providing funds to Indiana qualified entities. To achieve its purpose, the Bond Bank has issued various bonds and notes payable. The bonds and notes payable were issued under indentures of trust. Each indenture requires the maintenance of debt service reserve accounts. Total outstanding debt as of June 30, 1999 was $1,097 million with interest rates ranging from 3.10% to 9%. Assets held in debt service reserve accounts are included in cash, cash equivalents, and investments and amounted to $28.9 million.

Special Program Bonds Series 1985A, 1989A, 1989B, and 1991B are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of approximately $78.8 million at June 30, 1999.

Special Program Bonds Series 1991B were defeased in fiscal 1998 in conjunction with issuance of Special Program Refunding Bonds Series 1998A and have been removed from the financial statements. Cash of $10.7 million was placed in trust to satisfy the scheduled principal and interest payments in this series, which had an outstanding principal balance of $9.5 million at the time of defeasance. In order to fund the difference, investments in this qualified entity were exchanged with new investments in the qualified entity which have a higher net value of $1,087,600. As such, investments in qualified entities have increased by this amount. No gain or loss was recognized in connection with this defeasance.

Colleges and Universities -- Both Indiana University and Purdue University are authorized by acts of the Indiana General Assembly to issue bonds for the purposes of financing construction of student union buildings, halls of music and housing, athletic, parking, hospital, academic facilities and utility systems.

Indiana University

The outstanding long-term bonded indebtedness at June 30, 1999 was $521.5 million with interest rates ranging from 4.0% to 6.6%.

In prior years, Indiana University has defeased bond issues either with cash or by issuing new debt. U.S. Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and have been deposited in irrevocable trust with the trustee. Neither the defeased bonds nor the related trusts are reflected on the University's books. The total amount of defeased debt outstanding at June 30, 1999 was $88.4 million.

Purdue University

The outstanding long-term bonded indebtedness at June 30, 1999 was $311.2 million at 2.6% to 6.5% for Purdue University.

On December 2, 1998, Student Fee Bonds Series M were refunded with the issuance of Series P. Although the defeasance resulted in a loss of $4.4 million for financial reporting purposes, the University reduced its aggregate debt service payments by approximately $3.6 million over the next 18 years, obtaining an economic gain of approximately $1.6 million. U.S. Treasury obligations were purchased in an amount sufficient to pay principal, interest, and call premiums when due through the first call date of January 1, 2006 for Series M, and were deposited in an irrevocable trust with a trustee. At June 30, 1999, the outstanding balance on the Series M bonds was $60.5 million. The Series M bonds and the related trust accounts are not reflected on the University's books.

In prior years, Purdue University has defeased bond issues either with cash or by issuing new debt. U.S. Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due, through maturity, and have been deposited in irrevocable trust with the trustee. Neither the defeased bonds nor the related trusts are reflected on the University's books. The total amount of defeased debt outstanding at June 30, 1999 was $121.6 million.

G. Equity Reserves

Reserved fund balances/retained earnings are as follows:

Fund balance / retained earnings reserved for:	Encumbrances and prepaid items	Tuition Support	Employees' pension benefits	Advances and inter-governmental loans	Debt service	Special purposes, unpaid claims and other	Endowments and similar funds	Total reserves
Governmental funds:								
General Fund	$ 59,115	$ 255,000	$ -	$ 12,998	$ -	$ -	$ -	$ 327,113
Special revenue funds	827,681	-	-	271,857	-	-	-	1,099,538
Debt service funds	-	-	-	-	10,706	-	-	10,706
Capital projects funds	13,039	-	-	9,758	-	-	-	22,797
Proprietary funds:								
Enterprise funds	-	-	-	865	-	65,381	-	66,246
Internal service funds	-	-	-	484	-	14,877	-	15,361
Trust and agency funds:								
Non-expendable trust funds	-	-	-	299,598	-	-	-	299,598
Pension trust funds	-	-	14,828,110	-	-	-	-	14,828,110
Discretely presented component units:								
Governmental	2,218	-	-	-	-	-	-	2,218
Colleges and universities	-	-	-	-	-	-	373,677	373,677
Total	$ 902,053	$ 255,000	$ 14,828,110	$ 595,560	$ 10,706	$ 80,258	$ 373,677	$ 17,045,364

H. Contributed Capital

The changes in contributed capital for proprietary funds were as follows:

	Inns and concessions	Institutional Industries	Administrative services revolving	State Office Building Commission	State Employee Health Insurance Fund	Total
Beginning balance, contributed capital, as restated	$ 6,669	$ 8,878	$ 990	$ 9,981	$ -	$ 26,518
Contributing sources:						
General fund	-	-	500	-	4,177	4,677
General fixed assets	2,639	-	-	-	-	2,639
Return of capital:	-	-	-	-	-	-
Ending balance, contributed capital	$ 9,308	$ 8,878	$ 1,490	$ 9,981	$ 4,177	$ 33,834

I. Restatements and Reclassifications

For the fiscal year ended June 30, 1999, certain changes have been made to the financial statements to more appropriately reflect financial activity of the State of Indiana

Primary Government - In July 1997, $10 million was mistakenly posted to General Fund appropriations to fund the Public Employees' Retirement Fund's (PERF) Pension Relief Fund. PERF mistakenly withdrew the additional funds and placed them in an investment account. The same error occurred in July 1998. The $20 million is to be returned to the General Fund and is reported as an interfund receivable to the General Fund and an interfund payable to the Pension Relief Fund. The $10 million posted in July 1997 is shown as a prior period adjustment to the General Fund and the special revenue funds.

Pursuant to implementation of GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the Employees' Deferred Compensation Plan (the plan) has been reclassified from Agency fund to an Expendable Trust fund. The implementation also includes a prior period adjustment to report the plan on the State's fiscal year and to include those amounts attributable to the State, bodies corporate and politic, and local political subdivisions.

Significant discretely presented component units - The Indiana Bond Bank's (proprietary fund type) financial statements include a prior period adjustment to reflect the valuation of qualified obligations receivable (intergovernmental loans) at amortized cost. In 1998, the financial statements were retroactively restated to conform with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. While this statement requires the Bond Bank to report investments at fair value, it has been determined that GASB Statement No. 31 does not apply to qualified obligations receivable.

Significant discretely presented component units – colleges and universities - Indiana State University's Board of Trustees authorized the formal establishment of a Voluntary Employees' Benefit Association (VEBA) trust for post-retirement health care benefits on December 4, 1998. Prior to this action the University had voluntarily set aside equivalent funding using University and employee payroll health benefit contributions. Accordingly, the beginning fund balance for the current unrestricted fund group has been restated as of July 1, 1998 to reflect the transfer of these assets to the VEBA trust. The restatement resulted in a decrease in the beginning fund balance of $15 million for the year ended June 30, 1999.

Other prior period adjustments are reclassifications and errors not individually material to the financial statements. The following schedule presents a summary of restated beginning balances by fund type.

	June 30, 1998 As Reported	Prior Period Adjustments	Reclassifications	Balance July 1, As Restated
Primary government including blended component units:				
General Fund	$ 3,272,199	$ 10,000	$ -	$ 3,282,199
Special revenue funds	1,786,106	(5,722)	-	1,780,384
Debt service funds	7,833	-	-	7,833
Capital projects funds	340,247	-	-	340,247
Enterprise funds	131,803	424	-	132,227
Internal service funds	32,142	4,132	-	36,274
Trust and agency funds:				
Expendable trust	1,442,979	-	358,448	1,801,427
Nonexpendable trust	397,881	-	-	397,881
Pension trust	13,145,228	(5,765)	-	13,139,463
Agency (asset)	610,340	79,886	(358,448)	331,778
Discretely presented component units:				
Governmental	19,737	-	-	19,737
Proprietary	482,668	(60,733)	-	421,935
Colleges & universities	3,615,462	(22,350)	-	3,593,112
	$ 25,284,625	$ (128)	$ -	$ 25,284,497

IV. OTHER INFORMATION

A. Risk Management

The State of Indiana is exposed to various risks of loss. This includes damage to property owned by the agencies, personal injury or property damage liabilities incurred by a State officer, agent or employee, errors, omissions and theft by employees, certain employee health benefits, employee death benefits, and unemployment and worker's compensation costs for State employees.

The State records an expenditure for any loss as the liability is incurred or replacement items are purchased. The State does purchase immaterial amounts of commercial insurance. Settlements related to commercial insurance have not exceeded coverage in the past three fiscal years.

The State does have risk financing activity for the state employees' disability, state employees' death benefits, certain state employees' health benefits, and certain health, disability and death benefits for State Police officers. These are reported in five individual Internal Service Funds. The state employees' disability program is financed partially by state employees through payroll withholdings and by the funds from which employees are paid. The employees' death benefits are financed through a charge to each fund with payroll expenditures. The charge is a percentage of gross pay. The employees' health benefits and the State Police traditional health plan are funded by the employees who have selected certain health care benefit packages and the funds from which those employees are paid. (An insurance carrier does provide claims administration services for the health insurance programs.) The State Police benefit fund is financed by statutory appropriations and certain witness fees.

Located below is the table of claim liabilities. The liabilities are not maintained in the accounting records of the State. The claim liabilities for the health insurance programs and the State Disability fund were estimated based on the historical experience rate of claims paid that were for service dates incurred during a prior fiscal year. The liability for employee death benefit is based on claims submitted and paid during July for liabilities incurred prior to June 30. The liability of the State Police benefit fund was based on an estimate of the minimum liability of disability payments. Claims expenses and liabilities were not reasonably estimable for death benefits.

	State Police Health Insurance Fund	State Employees' Health Insurance Fund	State Disability Fund	State Employees' Death Benefits fund	State Police Death Benefits	Total	1998
Unpaid Claims, July 1	$ 2,200	$ 7,250	$ 833	$ 50	$ 1,090	$ 11,423	$ 9,688
Incurred Claims and Changes in Estimate	12,558	47,454	23,646	50	1,255	84,963	77,574
Claims Paid	(12,456)	(48,389)	(14,900)	(100)	(1,170)	(77,015)	(75,839)
Unpaid Claims, June 30	$ 2,302	$ 6,315	$ 9,579	$ -	$ 1,175	$ 19,371	$ 11,423

The trustees of Indiana University and Purdue University have chosen to assume a portion of the risk of loss for their respective institutions. Each university is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; health and other medical benefits provided to employees and their dependents. The universities individually handle these risks of loss through combinations of risk retention and commercial insurance. The amount of settlements did not exceed insurance coverage in the past three fiscal years. The universities' estimated liability for unpaid claims at June 30, 1999 was $29.5 million.

B. Investment in Joint Venture

The Indiana Transportation Finance Authority (ITFA) is a participant in a governmental joint venture with United Airlines. This participation is an investment, pursuant to an Agreement Among Tenants of Leasehold Estate in Airport Development Project (joint venture), dated as of December 1, 1991 and amended as of May 15, 1995 to obtain an individual ownership interest in the Site and facilities to be acquired and constructed by United Airlines, as outlined in the Site and Facilities Lease Agreement, dated as of December 1, 1991 and amended as of May 15, 1995.

The ITFA deposited $159 million of the bond proceeds of the Series 1992A bonds into the project account of the construction fund to provide for a portion of the costs of constructing and equipping Phase I of the United Airlines Indianapolis Maintenance Center. Additional proceeds of $32.8 million, which consisted of capitalized and accrued interest, were deposited in the interest account of the construction fund.

The construction fund transactions related to the investment in Joint Venture are not reported as part of the financial reporting relating to ITFA's Airport Facilities Lease Revenue bonds. The construction fund is used to account for the acquisition and construction of a portion of the United Airlines Facility.

C. Segment Information -- Enterprise Funds

The State of Indiana has five enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. The Inns and Concessions provide lodging and dining throughout the year for state park tourists. The Toll Bridges collect fees for the repayment of construction costs and to provide maintenance of the bridges. The Toll Roads collect fees for repayment of road construction and maintenance of roads. The State Lottery Commission provides money for various pension and educational funds, as well as for local building projects. The Residual Malpractice Insurance Authority provides medical malpractice insurance for those who cannot get coverage.

Included below is segment information for enterprise funds for the fiscal year ended June 30, 1999.

	Inns and concessions	Toll bridges	Toll roads	State Lottery Commission	Malpractice Insuarance Authority	Total
Operating revenue	$ 15,226	$ 810	$ 88,022	$ 681,034	$ 1,116	$ 786,208
Depreciation and amortization	533	106	10,083	839	-	11,561
Operating income (loss)	(345)	312	33,262	203,857	(752)	236,334
Operating transfers in (out)	-	-	-	(209,396)	-	(209,396)
Net income (loss)	(183)	295	19,228	(5,343)	133	14,130
Current capital contributions	2,639	-	-	-	-	2,639
Fixed asset additions	17	14	9,026	947	-	10,004
Net working capital	1,208	2,466	178,020	51,600	3,258	236,552
Total assets	14,190	4,079	396,528	179,539	15,092	609,428
Bonds payable	-	-	249,285	-	-	249,285
Total equity	9,644	1,731	136,819	4,213	3,258	155,665

D. Subsequent Events

During the 1999 legislative session, the Governor and the General Assembly passed a number of tax cuts and shifted certain welfare costs from the counties to the State. It is estimated that the tax cuts will reduce state revenue collections by $572.3 million over the next two fiscal years. The shift in welfare costs is estimated to increase State distributions to local governments by $69.1 million over the same period of time.

On July 28, 1999, the Indiana State Office Building Commission issued Facilities Revenue Bonds, Series 1999A, with an aggregate par value of $96.8 million. The net bond proceeds will be used to fund approximately $9.5 million of construction costs for the Miami Correctional Facility-Phase I, as well as to replace $86.3 million of Hoosier Notes (principal and accrued interest) outstanding at June 30, 1999.

In July 1999, the Indiana Bond Bank issued $8 million of Advanced Funding Program Notes through Series 1999B. The Bond Bank also issued $7 million of State Revolving Fund Program Bonds through Series 1999 Taxable Subordinate I in September 1999.

E. Contingencies and Commitments

Litigation
The State does not establish reserves for judgements or other legal or equitable claims. Judgements and other such claims must be paid from unappropriated fund balances. With respect to tort claims only, the State's liability is limited to $300,000 for injury or death of one person in any one occurrence and $5 million for injury or death of all persons in that occurrence.

The Indiana Attorney General's office estimates a liability of $6.6 million for open tort lawsuits. During fiscal year 1999, the State paid $4 million for tort settlements and judgements and $300,000 for tort claims.

The Indiana Attorney General's office is currently handling the following cases which could result in significant liabilities to the State.

On July 26, 1993, a lawsuit was filed in Marion Circuit Court alleging that the State has failed to pay certain similarly classified State employees at equal rates of pay. The plaintiffs seek class action status. The relief sought includes damages in an unspecified amount, as well as injunctive relief. The State has filed a motion to dismiss for failure to exhaust administrative remedies. The motion was denied by the trial court, but the denial is being appealed. During fiscal year 1995, a similar action was filed in the Marion Superior Court. This matter is still pending, and if the State were ultimately unsuccessful, the loss would be in excess of $15 million.

In a lawsuit filed against the State on January 19, 1993, the Marion County Superior Court invalidated the portion of the Medicaid disability standard that previously permitted the State to ignore applicants' inability to pay for medical treatment that would lead to improvement in their medical condition. The Court of Appeals affirmed the decision and a petition for rehearing is pending. If unsuccessful in this litigation, the State would forfeit savings of up to $30 million.

The State intends to vigorously defend each of the foregoing suits or other claims.

In addition, the State Lottery Commission (the Commission) is the defendant in a class action suit. During 1997, a class action suit was filed in Marion County Court on behalf of all persons denied prizes on tickets submitted beyond the final sixty-day claim period. In October 1997, the Court granted the Commission's motion to dismiss the complaint. However, the Indiana Court of Appeals reversed the trial court decision and found that the plaintiff was entitled to trial on the merits of his claim. The case is now pending before the Indiana Supreme Court.

Management and its legal counsel intend to vigorously defend its position but are unable to predict at this time the final outcome of the appeals process. If the Supreme Court upholds the plaintiff's appeal and allows a trial on the merits of the case, the Commission will vigorously defend its position and believes it will prevail. However, the Commission cannot predict the final resolution of this matter or whether its resolution could materially affect the Commission's result of operations, cash flows or financial position.

Loss from reimbursement agreement

The Indiana Development Finance Authority (IDFA) is a party to a reimbursement agreement with Qualitech Steel Corporation (Qualitech) and a bank relating to the $33.1 million Indiana Development Authority Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1996 (the bonds). The bond proceeds were used by Qualitech to construct Qualitech's special bar quality steel mini-mill facility, which was substantially complete on March 1, 1999.

On March 22, 1999, Qualitech filed a petition for relief under Chapter 11 of the Bankruptcy Code. IDFA and the bank have entered into a forbearance agreement (the agreement) with the result that no default under the bonds will be declared until at least August 31, 2000. The agreement requires certain payments from IDFA through August 31, 2000. These payments are estimated to aggregate $3.75 million. This amount has been recognized as a loss in the current year and appears as a liability on the financial statements.

IDFA could be obligated to pay the outstanding balance of the bond issue, which would result in recognition of losses in future years. The amount of this contingent obligation is $28.7 million. Debt service funds of $3.9 million were required to be set aside as part of the original bond issue.

Federal Grants.

The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements will not be material.

Construction Commitments.
As of June 30, 1999, the Indiana Transportation Finance Authority Highway Bonds, which are included in the financial reporting entity of the State of Indiana as a special revenue fund, had $42.9 million committed for unfinished highway construction projects.

F. Other Revenue

Other revenue represents revenue received which cannot accurately be included with any of the other revenue sources. In most cases, the amount of "other revenue" received by a fund is insignificant in comparison with total revenues received.

G. Economic Stabilization Fund

In 1982 the Indiana General Assembly adopted Indiana Code 4-10-18, which established the Counter-Cyclical Revenue and Economic Stabilization Fund ("Rainy Day Fund"). This fund was established to assist in stabilizing revenue during periods of economic recession and is accounted for within the State general fund.

Each year the State Budget Director determines calendar year Adjusted Personal Income (API) for the State and its growth rate over the previous year, using a formula determined by the legislature. In general, monies are deposited automatically into the Rainy Day Fund if the growth rate in API exceeds 2%; monies are removed automatically from the Rainy Day Fund if API declines by more than 2%. All earnings from the investments of the Rainy Day Fund remain in the Rainy Day Fund. If the balance in the fund at the end of the fiscal year exceeds 7% of total general fund revenues for the same period, the excess is transferred from the Rainy Day Fund into the Property Tax Replacement Fund.

Loans can be made from the Rainy Day Fund to local units of government for specific purposes. The Rainy Day Fund cash and investment balance at the end of fiscal year 1999 was $524.7 million. Total outstanding loans were $.8 million, resulting in total assets of $525.5 million.

H. Deferred Compensation

The State offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and employees of certain quasi-agencies and political subdivisions within the State, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of participants of the plan and their beneficiaries as required by section 457(g) of the Internal Revenue Code.

The State has established a deferred compensation committee that holds the fiduciary responsibility for the plan. The committee holds the deferred amounts in an expendable trust.

I. Discretely Presented Component Units – Condensed Financial Statements

The Indiana Development Finance Authority (IDFA) is the only discretely presented component unit of a governmental fund type and is considered significant. On the following pages are the condensed financial statements of the proprietary fund types and colleges and universities giving separate detail of the balances and activity of those considered significant to the State reporting entity.

Condensed Balance Sheet
Major and Aggregate Non-major Discretely Presented Component Units
Proprietary fund types and Colleges and Universities
June 30, 1999

	Indiana University	Purdue University	Indiana Bond Bank	Indiana Housing Finance Authority	Non-major component units	Total
Assets						
Current assets	$ 718,625	$ 1,659,173	$ 183,904	$ 309,126	$ 1,231,725	$ 4,102,553
Non-current assets	-	-	951,411	570,893	24,925	1,547,229
Property, plant, and equipment net of accumulated depreciation	1,343,792	829,269	-	-	792,849	2,965,910
Total assets	$ 2,062,417	$ 2,488,442	$ 1,135,315	$ 880,019	$ 2,049,499	$ 8,615,692
Liabilities						
Current liabilities	$ 201,050	$ 546,056	$ 25,579	$ 2,127	$ 292,914	$ 1,067,726
Revenue bonds / notes payable	525,559	322,226	1,098,308	762,820	555,571	3,264,484
Total liabilities	726,609	868,282	1,123,887	764,947	848,485	4,332,210
Equity						
Net investment in plant	847,586	489,041	-	-	537,881	1,874,508
Endowments and similar funds	124,952	221,407	-	-	27,318	373,677
Unreserved retained earnings	-	-	11,428	115,072	316,643	443,143
Allocated fund balance	87,452	503,538	-	-	227,252	818,242
Unallocated fund balance	275,818	406,174	-	-	91,920	773,912
Total equity	1,335,808	1,620,160	11,428	115,072	1,201,014	4,283,482
Total liabilities and equity	$ 2,062,417	$ 2,488,442	$ 1,135,315	$ 880,019	$ 2,049,499	$ 8,615,692

Condensed Statement of Changes in Fund Balance
Major and Aggregate Non-major Discretely Presented Component Units
Colleges and Universities
For the Fiscal Year Ended June 30, 1999

	Indiana University	Purdue University	Non-major universities	Total
Revenues and other additions:				
Current fund revenues	$ 392,143	$ 645,734	$ 367,008	$ 1,404,885
Additions to plant and facilities	108,252	81,201	84,735	274,188
Retirement of indebtedness	28,666	95,943	48,315	172,924
Other additions	1,425,635	634,872	538,332	2,598,839
Total revenues and other additions	1,954,696	1,457,750	1,038,390	4,450,836
Expenditures and other deductions:				
Current fund expenditures	947,079	585,715	540,730	2,073,524
Expended for plant, facilities, and disposals	97,968	58,135	66,883	222,986
Bond issues, issuance costs, and retirements	76,126	82,997	67,888	227,011
Debt service requirements	21,770	113,209	19,169	154,148
Depreciation and amortization	82,014	67,761	49,901	199,676
Other deductions	686,423	397,180	242,661	1,326,264
Total expenditures and deductions	1,911,380	1,304,997	987,232	4,203,609
Transfers from (to) other funds				
Mandatory transfers	(2,255)	-	(400)	(2,655)
Non-mandatory transfers	2,255	-	400	2,655
Total transfers from (to) other funds	-	-	-	-
Net increase (decrease) for the year	43,316	152,753	51,158	247,227
Fund balance, July 1, as restated	1,292,492	1,467,407	833,213	3,593,112
Fund balance, June 30	$ 1,335,808	$ 1,620,160	$ 884,371	$ 3,840,339

Condensed Statement of Current Fund Revenues, Expenditures, and Other Changes
Major and Aggregate Non-major Discretely Presented Component Units
Colleges and Universities
For the Fiscal Year Ended June 30, 1999

	Indiana University	Purdue University	Non-major universities	Total
Revenues:	$ 1,544,449	$ 1,011,830	$ 824,222	$ 3,380,501
Expenditures and mandatory transfers:				
Expenditures:				
Educational and general	1,211,374	809,439	675,625	2,696,438
Auxiliary enterprises	261,373	128,969	102,066	492,408
Mandatory transfers	50,091	45,667	17,594	113,352
Total expenditures and mandatory transfers	1,522,838	984,075	795,265	3,302,198
Other transfers and additions (deductions):	(4,943)	(4,710)	(20,813)	(30,466)
Increase (decrease) in fund balance	$ 16,668	$ 23,045	$ 8,124	$ 47,837

Condensed Statement of Revenues, Expenses and Changes in Retained Earnings
Major and Aggregate Non-major Discretely Presented Component Units
Proprietary fund types
For the Fiscal Year Ended June 30, 1999

	Indiana Bond Bank	Indiana Housing Finance Authority	Non-major component units	Total
Operating revenues:	$ 58,485	$ 45,888	$ 39,840	$ 144,213
Operating expenses:	3,213	6,265	13,531	23,009
Operating income (loss)	55,272	39,623	26,309	121,204
Nonoperating revenues (expenses):	(54,526)	(31,278)	(9,379)	(95,183)
Income before operating transfers	746	8,345	16,930	26,021
Operating transfers in (out)	-	-	(4,813)	(4,813)
Net income (loss)	746	8,345	12,117	21,208
Retained earnings, July 1, as restated	10,682	106,727	304,526	421,935
Retained earnings, June 30	$ 11,428	$ 115,072	$ 316,643	$ 443,143

J. Employee Retirement Systems and Plans

The State of Indiana sponsors eight public employee retirement systems (PERS) that are included in the State's financial statements as pension trust funds.

Summary of Significant Accounting Policies
Contributions are recognized when received with accrual adjustments at June 30, 1999. The accrual for contributions receivable is estimated for each retirement fund on the basis that best represents that fund's receivable. The different basis include actual third quarter contributions received during the quarter ended June 30, 1999, actual contributions received in July for work days in June, or a combination of the two. Legislators receive the majority of their pay in January and February and the contributions are transferred on the pay dates. Therefore, no receivable is established for the legislators' retirement funds.

Benefits paid are recognized when paid with an accrual adjustment at June 30, 1999. The accrual for benefits payable is based on benefits due at June 30 but not paid until July. Refunds are recognized when paid.

GASB 25 requires that investments of defined benefit plans be reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

The buildings purchased as investments by the Public Employees Retirement Fund (PERF) are reported at cost as there has not been a recent independent appraisal. The buildings are immaterial to PERF's total investments.

The state sponsors the following defined benefit single-employer plans:

State Police Retirement Fund

Plan Description The State Police Retirement Fund (SPRF), is a defined benefit, single-employer PERS, and is administered by the Indiana Department of State Police. Indiana Code 10-1-1 grants authority to the Department to establish and operate an actuarially sound pension plan governed by a pension trust and to make the annual contributions necessary to prevent any deterioration in the actuarial status of the trust fund. The Department has a publicly available audit report that includes financial statements and required supplementary information of the plan. That report may be obtained by writing the Department of State Police, Room N340, IGC-North, Indianapolis, IN 46204.

Funding Policy The pre-1987 plan requires employee contributions of five percent of the salary of a third-year trooper. The 1987 plan applies to all officers hired after June 30, 1987. In addition, state police officers hired prior to July 1, 1987 could elect to be covered under this plan if the employee filed an election with the trustee before July 1, 1989. Participants under the 1987 plan contribute six percent of their monthly base salary.

Periodic employer contributions to the pension plan are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded over a forty year period. Periodic contributions for both normal cost and the amortization of the unfunded actuarial accrued liability are based on the level percentage of payroll method. The funding policy for normal cost and unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis.

The State is required to contribute at an actuarially determined rate; the current rate is 18.5% of covered payroll.

Excise Police and Conservation Enforcement Officers' Retirement Fund

Plan Description The Excise Police and Conservation Enforcement Officers' Retirement Fund (ECRF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The retirement fund is for employees of the Indiana Department of Natural Resources and Indiana Alcoholic Beverage Commission who are engaged exclusively in the performance of law enforcement duties.

The Excise Police and Conservation Enforcement Officers' Retirement Fund provides retirement, disability, and survivor benefits. Indiana Code 5-10-5.5 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

Funding Policy Members are required by statute to contribute three percent of the first $8,500 of annual salary to the Fund. The State of Indiana, as employer, is required by statute to contribute the remaining amount necessary to actuarially finance the coverage; the current rate is 18.2% of covered payroll.

The funding policy for employer contributions of the Excise Police and Conservation Enforcement Officers' Retirement Fund provides for biennial appropriations authorized by the Indiana General Assembly, which when combined with anticipated member contributions are sufficient to actuarially fund benefits (normal cost), amortize the unfunded accrued liability for forty years, and prevent the state's unfunded accrued liability from increasing.

Prosecuting Attorneys' Retirement Fund

Plan Description The Prosecuting Attorneys' Retirement Fund (PARF) is a defined benefit single-employer plan administered by the Board of Trustees of the Public Employees' Retirement Fund. The Prosecuting Attorneys' Retirement Fund provides retirement, disability retirement, and survivor benefits for individuals who serve as a prosecuting attorney or chief deputy prosecuting attorney on or after January 1, 1990. These individuals are paid from the General Fund of the State of Indiana. Indiana Code 33-14-9 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

Funding Policy Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of wages. The amount required to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendations of an actuary, is to be appropriated from the State's General Fund.

Legislators' Retirement System – Legislators' Defined Benefit Plan

Plan Description The Legislators' Retirement System (LRS) is composed of two separate and distinct plans to provide retirement benefits to the members of the General Assembly of the State of Indiana. The Legislators' Defined Benefit Plan (IC 2-3.5-4), a defined benefit single-employer PERS, applies to each member of the General Assembly who was serving on April 30, 1989 and files an election under IC 2-3.5-3-1(b). The Legislators' Defined Benefit Plan provides retirement, disability and survivor benefits. The plan is administered by the Board of Trustees of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. The report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

Funding Policy The amount required by the funding policy to actuarially fund participants' retirement benefits, as determined by the Board of Trustees on the recommendation of an actuary, is to be appropriated from the State's General Fund.

Judges' Retirement System

Plan Description The Judges' Retirement System (JRS) is a defined benefit single-employer Public Employee Retirement System administered by the Board of Trustees of the Public Employees' Retirement Fund. The Judges' Retirement System provides retirement, disability retirement, and survivor benefits. Coverage is for any person who has served, is serving or shall serve as a regular judge of any of the following courts: Supreme Court of the State of Indiana; Circuit Court of any Judicial Circuit; Indiana Tax Court; County Courts; Circuit, Superior, Criminal, Probate, Juvenile, Municipal and County Court. IC 3-13-10.1-1 et seq. applies to judges beginning service after August 31, 1985. Indiana Code 33-13-8 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

Funding Policy Member contributions are established by statute at six percent of total statutory compensation. However, no contribution is required and no such amounts shall be paid on behalf of any participant for more than twenty-two years.

Employer contributions are determined by the Indiana General Assembly as biennial appropriations from the State General Fund. Indiana Code 33-13-8-16(a)(1) provides that this appropriation only include sufficient funds to cover the aggregate liability of the Fund for benefits to the end of the biennium, on an actuarially funded basis. In addition to the General Fund appropriations, the statutes provide for remittance of docket fees and court fees. These are considered employer contributions.

The State sponsors the following defined benefit agent multiple-employer plan:

Public Employees' Retirement Fund

Plan Description The Public Employees' Retirement Fund (PERF) is a defined benefit agent multiple-employer plan administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability retirement, and survivor benefits. Indiana Code 5-10.2 and 5-10.3 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. The report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

At June 30, 1998, the number of participating political subdivisions was 1032.

Funding Policy The State of Indiana and any political subdivision that elects to participate in the PERF fund is obligated by statute to make contributions to the plan. The required employer contributions are determined by the Board of Trustees based on actuarial investigation and valuation. PERF funding policy provides for periodic employer contributions at actuarially determined rates, that, expressed as percentage of annual covered payroll, are sufficient to fund the pension portion of the retirement benefit (normal cost), administrative expenses, and anticipated increase in the unfunded actuarial accrued liability for the next fiscal year. In addition, employers must remit quarterly payment of the amortization of the initial prior service cost. The amortization period is forty years for those employers whose effective date of participation was before 1985. Thereafter, employers joining have the prior service cost amortized over fifteen years.

Contributions made by or on the behalf of members are not actuarially determined but are set by statute at three percent (3%) of wages. These contributions are credited to the member's annuity savings account that funds the annuity portion of the retirement benefit.

The State is required to contribute for state employees at an actuarially determined rate; the current rate is 6.6% of covered payroll.

The Annual Pension Cost and Net Pension Obligations, the significant actuarial assumptions used in determining pension benefit obligations, and the historical trend information of the single and agent multiple employer defined benefit plans is as follows:

	PERF		SPRF	ECRF	JRS	PARF	LRS
	State	Municipal					
Annual Pension Cost and Net Pension Obligation (Asset)							
Annual required contribution	81,546.0	101,345.0	8,824.9	1,675.7	11,139.0	275.2	170.1
Interest on net pension obligation	(180.0)	*	10.9	(22.8)	(108.8)	4.9	(3.1)
Adjustment to annual required contribution	179.0	*	(11.8)	22.6	108.1	(5.2)	3.9
Annual pension cost	81,545.0	101,345.0	8,824.0	1,675.5	11,138.3	274.9	170.9
Contributions made	(80,146.0)	(116,311.0)	(9,609.5)	(1,724.2)	(10,658.7)	(184.3)	(200.6)
Increase (decrease) in net pension obligation	1,399.0	(14,966.0)	(785.5)	(48.7)	479.6	90.6	(29.7)
Net pension obligations, beginning of year	(2,484.0)	(6,939.0)	157.1	(315.0)	(1,501.9)	68.5	(48.4)
Net pension obligations, end of year	(1,085.0)	(21,905.0)	(628.4)	(363.7)	(1,022.3)	159.1	(78.1)
Significant Actuarial Assumptions Used In Determining Pension Benefit Obligations							
Investment rate of return	7.25%	7.25%	6.40%	7.25%	7.25%	7.25%	7.25%
Projected future salary increases:							
Total	5.00%	5.00%	2.40%	5.00%	5.00%	5.00%	3.00%
Attributed to inflation	*	*	*	*	*	*	*
Cost of living adjustments	2.00%	2.00%	6.00%	2.00%	N/A	N/A	2.00%
Contribution rates:							
State	5.70%	5.50%	18.50%	18.20%	35.90%	3.30%	*
Plan members	3.00%	3.00%	6.00%	3.00%	6.00%	6.00%	0.00%
Actuarial valuation date	7/1/98	7/1/98	7/1/99	7/1/98	7/1/98	7/1/98	7/1/98
Actuarial cost method	entry age	entry age	entry age	entry age	entry age	entry age	projected unit credit cost
Amortization method	level dollar	level dollar	level percent	level dollar	level dollar	level dollar	level dollar
Amortization period (from July 1, 1997)	40 years	40 years	40 years	30 years	N/A	30 years	30 years
Asset valuation method	75% of Expected Actuarial Value plus 25% of Cost Value	75% of Expected Actuarial Value plus 25% of Cost Value	smoothed basis	smoothed basis	smoothed market	smoothed market	smoothed market value
Historical Trend Information							
Year ended June 30, 1999							
Annual pension cost (APC)	*	*	8,824.9	*	*	*	*
Percentage of APC contributed	*	*	108.9%	*	*	*	*
Net pension obligations (assets)	*	*	(628.4)	*	*	*	*
Year ended June 30, 1998							
Annual pension cost (APC)	81,546.0	101,345.0	9,360.0	1,675.5	11,138.3	274.9	170.9
Percentage of APC contributed	98.3%	114.4%	98.0%	102.9%	95.7%	67.0%	117.4%
Net pension obligations (assets)	(1,085.0)	(21,905.0)	157.0	(363.7)	(1,022.3)	159.1	(78.1)
Year ended June 30, 1997							
Annual pension cost (APC)	79,101.3	100,760.0	9,251.0	1,297.9	11,576.4	275.3	170.2
Percentage of APC contributed	103.0%	107.0%	71.8%	124.6%	92.0%	67.0%	118.0%
Net pension obligations (assets)	(2,483.5)	(6,939.0)	N/A	(48.0)	917.8	90.0	(31.0)
Year ended June 30, 1996							
Annual pension cost (APC)	76,305.0	98,470.0	7,864.0	954.7	11,376.6	242.0	150.4
Percentage of APC contributed	104.0%	111.0%	92.2%	164.0%	113.0%	72.0%	132.0%
Net pension obligations (assets)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

PERF - Public Employees' Retirement Fund
SPRF - State Police Retirement Fund
ECRF - Excise Police and Conservation Enforcement Officers' Retirement Fund
JRS - Judges' Retirement System
PARF - Prosecuting Attorneys' Retirement Fund
LRS - Legislators' Retirement System

N/A - not applicable
* - information not available

The State sponsors the following cost-sharing multiple-employer plans:

State Teachers' Retirement Fund

Plan Description The State Teachers' Retirement Fund (STRF), is a defined benefit, multiple-employer cost-sharing PERS, administered by the Indiana State Teachers' Retirement Fund Board of Trustees. Indiana Code 21-6.1 governs the requirements of the Fund. The Indiana State Teachers' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Indiana State Teachers' Retirement Fund, 150 West Market Street, Indianapolis, IN 46204, or by calling 317-232-3860.

At June 30, 1999, the number of participating employers was 353.

Funding Policy Each school corporation contributes the employer's share to the Fund for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995 (post July 1, 1995 plan). The employer's share of contributions for certified personnel who are not employed under a federally funded program or were hired before July 1, 1995 is considered to be an obligation of, and is paid by, the State of Indiana (pre July 1, 1995 plan). The pre July 1, 1995 plan is on a "pay as you go" basis. State appropriations are made for the amount of estimated pension benefit pay-outs for each fiscal year. These appropriations include revenues from the State Lottery Commission.

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description The 1977 Police Officers' and Firefighters' Pension and Disability Fund (PFPF) is a defined benefit, multiple employer cost sharing Public Employees Retirement System administered by the Public Employees' Retirement Fund Board of Trustees. PERF provides retirement, disability retirement, and survivor benefits. Indiana Code 36-8-8 governs the requirements of the Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. The report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

At July 1, 1998, the number of participating political subdivisions was 232.

Funding Policy A participant is required by statute to contribute six percent of a first-class patrolman or firefighter's salary for the term of their employment up to thirty-two years. Employer contributions are determined actuarially. The funding policy mandated by statute requires quarterly remittances of member and employer contributions based on percentages of locally established estimated salary rates, rather than actual payroll.

The annual required contributions, percentage contributed, and historical trend information, for the cost sharing, multiple-employer plans are as follows:

	STRF		PFPF
	pre 7/1/95	post 7/1/95	
Historical Trend Information			
Year ended June 30, 1998			
Annual required contribution	486,946.0	37,869.0	57,726.0
percentage contributed	*	*	110.32%
Year ended June 30, 1997			
Annual required contribution	484,670.6	23,589.1	52,249.0
percentage contributed	*	*	101.0%
Year ended June 30, 1996			
Annual required contribution	502,040.0	6,890.0	47,292.0
percentage contributed	*	*	102.00%

STRF - State Teachers' Retirement Fund
PFPF - 1977 Police Officers and Firefighters' Retirement Fund

N/A - not applicable
* - information not available

The State sponsors the following defined contribution plan:

Legislators' Retirement System – Legislators' Defined Contribution Plan

Plan Description The Legislators' Retirement System (LRS) is composed of two separate and distinct plans to provide retirement benefits to the members of the General Assembly of the State of Indiana. The Legislators' Defined Contribution Plan (IC 2-3.5-5), a single employer defined contribution plan applies to each member of the General Assembly who was serving April 30, 1989 and files an election under IC 2-3.5-3-1(b), and each member of the General Assembly who is elected or appointed after April 30, 1989. The plan provides retirement and survivor benefits. The plan is administered by the Board of Trustees' of the Public Employees' Retirement Fund. The Public Employees' Retirement Fund Board of Trustees issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole. That report may be obtained by writing the Public Employees Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317-233-4162.

Funding Policy Each participant shall make contributions of five percent of salary received for services after June 30, 1989.. Contributions equal to twenty percent of the annual salary received by each participant for services after June 30, 1989, are to made from the biennial appropriation from the State's General Fund. Actual contributions for the year ended June 30, 1999 were $970,000.

Discretely Presented Component Units

Governmental and proprietary fund types

Employees of the Indiana Development Finance Authority, the Indiana Housing Finance Authority, and the Indiana Bond Bank are covered by the Public Employees' Retirement Fund (PERF). Contributions made during the fiscal year are included in the disclosures for PERF.

Colleges and Universities

Substantially all permanent employees of the college and universities in the State are covered by either the independently administered Teacher Insurance and Annuity Association (TIAA-CREF) or the Public Employees' Retirement Fund (PERF).

The TIAA-CREF plan is a defined contribution plan with contributions made to individually owned deferred annuity contracts. This plan offers career faculty and professional staff mobility since over 5,000 colleges and universities nationwide participate in TIAA-CREF. These are fixed contribution programs in which the retirement benefits received are based on the contributions made plus interest and dividends. Participants in this plan are immediately vested. Eligibility and contribution requirements for TIAA-CREF are determined by each institution. Indiana University and Purdue University contributed $91.9 million for 11,979 participants for the year ended June 30, 1999.

Other staff employees are eligible to become members of PERF. Contributions by the institutions during fiscal year 1998 are included in the disclosures for PERF.

K. Required Supplementary Information

	PERF State	PERF Municipal	SPRF	ECRF	JRS	PARF	LRS
Valuation Date: July 1, 1999							
Actuarial value of assets	*	*	273,032	*	*	*	*
Actuarial accrued liability (AAL)	*	*	303,805	*	*	*	*
Excess of assets over (unfunded) AAL	*	*	(30,773)	*	*	*	*
Funded ratio	*	*	90%	*	*	*	*
Covered payroll	*	*	46,361	*	*	*	*
Excess (unfunded) AAL as a percentage of covered payroll	*	*	-66%	*	*	*	*
Valuation Date: July 1, 1998							
Actuarial value of assets	1,626,450	1,925,592	255,614	28,663	79,594	7,144	4,041
Actuarial accrued liability (AAL)	1,491,986	1,775,251	289,612	41,679	160,845	11,356	5,385
Excess of assets over (unfunded) AAL	134,464	150,341	(33,998)	(13,016)	(81,251)	(4,212)	(1,344)
Funded ratio	109.01%	108.47%	88.26%	68.77%	49.48%	62.91%	75.04%
Covered payroll	1,229,903	1,880,259	45,187	10,137	30,853	11,673	742
Excess (unfunded) AAL as a percentage of covered payroll	10.93%	8.00%	-75.24%	-128.40%	-263.35%	-36.08%	-181%
Valuation Date: July 1, 1997							
Actuarial value of assets	1,447,332	1,699,981	240,880	26,324	69,357	5,970	3,834
Actuarial accrued liability (AAL)	1,465,189	1,661,044	279,575	38,460	150,005	9,504	5,429
Excess of assets over (unfunded) AAL	(17,857)	38,937	(38,695)	(12,136)	(80,648)	(3,534)	(1,595)
Funded ratio	99%	102%	86%	68%	46%	63%	71%
Covered payroll	1,283,228	1,773,165	44,470	9,855	29,228	11,811	882
Excess (unfunded) AAL as a percentage of covered payroll	-1%	2%	-87%	-123%	-276%	-30%	-181%
Valuation Date: July 1, 1996							
Actuarial value of assets	1,335,189	1,549,376	229,113	24,079	56,759	4,874	3,548
Actuarial accrued liability (AAL)	1,358,810	1,568,069	268,122	32,087	147,488	9,163	5,430
Excess of assets over (unfunded) AAL	(23,621)	(18,693)	(39,009)	(8,008)	(90,729)	(4,289)	(1,882)
Funded ratio	98%	99%	85%	75%	38%	53%	65%
Covered payroll	1,235,465	1,686,075	43,689	8,999	*	*	916
Excess (unfunded) AAL as a percentage of covered payroll	-2%	-1%	-89%	-89%	*	*	-205%
Valuation Date: July 1, 1995							
Actuarial value of assets	1,249,865	1,457,029	215,820	21,699	48,884	*	3,213
Actuarial accrued liability (AAL)	1,245,331	1,480,781	244,334	27,209	136,985	*	5,387
Excess of assets over (unfunded) AAL	4,534	(23,752)	(28,514)	(5,510)	(88,101)	*	(2,174)
Funded ratio	100%	98%	88%	80%	36%	*	60%
Covered payroll	1,205,288	1,609,148	37,359	7,028	29,181	11,169	963
Excess (unfunded) AAL as a percentage of covered payroll	0%	-1%	-76%	-78%	-302%	*	-226%

PERF - Public Employees' Retirement Fund
SPRF - State Police Retirement Fund
ECRF - Excise Police and Conservation Enforcement Officers' Retirement Fund
JRS - Judges' Retirement System
PARF - Prosecuting Attorneys' Retirement Fund
LRS - Legislators' Retirement System

N/A - not applicable
* - information not available

Year 2000 Compliance

The year 2000 issue will affect the following systems which are an integral part of the State of Indiana's operations:

Computer systems software
Computer systems hardware
Computer applications systems
Telephone systems
Security systems
Prisoner detention or monitoring systems
Heating and Cooling systems
Traffic control systems
Elevators
Global Positioning System Receivers
Interfaces with Vendor systems and information

The Indiana General Assembly authorized $57 million for the Year 2000 Computer Contingency Fund in PL 260-1997 and an additional $15.9 million in PL 273-1999.

The following stages have been identified as necessary to implement a year 2000 compliant system.

The Awareness Stage encompasses establishing a budget and project plan for dealing with the year 2000 issue.

The Assessment Stage is when the organization begins the actual process of identifying all of its systems and individual components of the systems. An organization may decide to review all system components for the year 2000 compliance or, through a risk analysis, identify only mission - critical systems to check for compliance.

The Remediation Stage is when the organization actually make changes to systems. This stage deals primarily with the technical issues of converting existing systems, or switching to complaint systems. During this stage, decisions are made on how to make the systems or processes year 2000 compliant, and the required system changes are made.

The Validation/Testing Stage is when the organization determines that no errors were introduced during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

Currently, the majority of the State of Indiana's mission critical systems are in the Remediation and Validation/Testing Stages.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State of Indiana is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that the parties with whom the State does business will be year 2000 ready.

Appendix B

The Prior Qualified Obligations

INDIANA BOND BANK
SPECIAL PROGRAM REFUNDING BONDS, SERIES 2000A

This Appendix is a listing of the Prior Qualified Obligations. As of the date of this Official Statement all of the Qualified Entities that issued the Prior Qualified Obligations have made all required payments thereunder.

Pursuant to its purchase agreements with the Qualified Entities, the Bond Bank periodically collects updated financial information regarding each of the following Qualified Entities. Such financial information with respect to such Qualified Entities, together with any supplemental information furnished to the Bond Bank by such Qualified Entities, may be obtained upon request to the Bond Bank.

Prior Qualified Obligations

IBB Series	Qualified Entity (source of payment)	Amount Outstanding	% Of Total
Sp 85 B	University of Southern Indiana*	$ 360,000	1.67%
Sp 86 B	City of East Chicago Park District (tax-based)	1,195,000	5.54%
Sp 86 B	City of East Chicago Park District (tax-based)	345,000	1.60%
Sp 86 B	City of East Chicago Redevelopment District (tax-based)	1,790,000	8.30%
Sp 86 C	City of Elkhart Redevelopment District (tax-based)	1,035,000	4.80%
Sp 86 C	Town of Roanoke Waterworks (revenue)	196,000	0.91%
Sp 86 E	City of Mishawaka Redevelopment District**	605,000	2.80%
Sp 87 A	Town of St. Joe Waterworks (revenue)	60,000	0.28%
Sp 89 C	Town of Fremont Sewage Works (revenue)	148,000	0.69%
Sp 89 C	Town of Van Buren Sewage Works (revenue)	225,000	1.04%
Sp 90 A	Town of Bainbridge Sewage Works (revenue)	285,000	1.32%
Sp 90 A	Town of Battle Ground Sewage Works (revenue)	54,000	0.25%
Sp 90 A	Town of New Carlisle Sewage Works (revenue)	516,000	2.39%
Sp 90 A	Town of New Chicago Sewage Works (revenue)	880,000	4.08%
Sp 90 A	Town of Andrews Waterworks (revenue)	170,000	0.79%
Sp 90 A	Town of Ashley Waterworks (revenue)	150,000	0.70%
Sp 90 A	Town of Cicero Waterworks (revenue)	135,000	0.63%
Sp 90 B	City of Petersburg Waterworks (revenue)	280,000	1.30%
Sp 90 B	Town of Cicero Sewage Works (revenue)	1,965,000	9.11%
Sp 90 B	Town of Fountain City Sewage Works (revenue)	647,000	3.00%
Sp 90 B	Town of Millersburg Waterworks (revenue)	677,000	3.14%
Sp 90 B	Lake Monroe Regional Waste District (revenue)	473,000	2.19%
Sp 90 B	Town of Rossville Sewage Works (revenue)	434,000	2.01%
Sp 90 B	Town of Laurel Waterworks (revenue)	210,000	0.97%
Sp 90 B	Town of Lynnville Waterworks (revenue)	71,000	0.33%
Sp Loan 88 A	Akron Building Corporation***	141,000	0.65%
Sp Loan 88 A	Town of Denver Sewage Works (revenue)	182,000	0.84%
Sp Loan 88 A	Town of Kewanna Sewage Works (revenue)	276,000	1.28%
Sp Loan 88 A	Town of Syracuse Sewage Works (revenue)	1,085,000	5.03%
Sp Loan 88 A	Town of Wolcott Sewage Works (revenue)	87,000	0.40%

IBB Series	Qualified Entity (source of payment)	Amount Outstanding	% Of Total
Sp Loan 88 A	Town of Orland Waterworks (revenue)	219,000	1.02%
Sp Loan 88 B	City of Linton Sewage Works (revenue)	150,000	0.70%
Sp Loan 88 B	City of Garrett Sewage Works (revenue)	201,000	0.93%
Sp Loan 88 B	City of Winchester Sewage Works (revenue)	445,000	2.06%
Sp Loan 88 B	Town of Battle Ground Sewage Works (revenue)	147,600	0.68%
Sp Loan 88 B	Town of Elberfeld Sewage Works (revenue)	82,100	0.38%
Sp Loan 88 B	Town of Grandview Sewage Works (revenue)	287,000	1.33%
Sp Loan 88 B	Town of Plainville Sewage Works (revenue)	206,600	0.96%
Sp Loan 88 B	Town of Poseyville Sewage Works (revenue)	97,000	0.45%
Sp Loan 88 B	Town of Rosedale Sewage Works (revenue)	191,000	0.89%
Sp Loan 88 B	Town of Brookston Waterworks (revenue)	101,000	0.47%
Sp Loan 88 B	Town of English Waterworks (revenue)	163,000	0.76%
Sp Loan 88 B	Town of Grabill Waterworks (revenue)	123,900	0.57%
Sp Loan 88 B	Town of Middletown Waterworks (revenue)	149,000	0.69%
Sp Loan 88 B	Town of Remington Waterworks (revenue)	205,000	0.95%
Sp Loan 88 C	Town of Russiaville Sewage Works (revenue)	88,900	0.41%
Sp Loan 88 C	Town of Wolcott Sewage Works (revenue)	164,300	0.76%
Sp Loan 88 C	Clear Creek Conservancy District ****	136,300	0.63%
Sp Loan 88 C	Clear Creek Conservancy District ****	21,600	0.10%
Sp Loan 88 C	Town of Eaton Waterworks (revenue)	338,300	1.57%
Sp Loan 88 C	Town of Elberfeld Waterworks (revenue)	32,100	0.15%
Sp Loan 88 C	Town of Russiaville Waterworks (revenue)	61,700	0.29%
Sp Loan 88 C	Town of Shipshewana Waterworks (revenue)	96,800	0.45%
Sp Loan 89	Eastern Bartholomew Regional Sewer District (revenue)	300,000	1.39%
Sp Loan 89	Town of Lyons Sewage Works (revenue)	267,000	1.24%
Sp Loan 89	Town of Monroe Sewage Works (revenue)	143,000	0.66%
Sp Loan 89	Town of Monroe City Sewage Works (revenue)	140,000	0.65%
Sp Loan 89	Town of Oolitic Sewage Works (revenue)	161,000	0.75%
Sp Loan 89	City of Boonville Waterworks (revenue)	441,000	2.04%
Sp Loan 89	City of Charlestown Waterworks (revenue)	231,000	1.07%
Sp Loan 89	Town of Ashley Waterworks (revenue)	66,000	0.31%
Sp Loan 89	Town of Atlanta Waterworks (revenue)	81,000	0.38%
Sp Loan 89	Town of Chesterfield Waterworks (revenue)	300,000	1.39%
Sp Loan 89	Town of Colfax Waterworks (revenue)	34,000	0.16%
Sp Loan 89	Town of Dana Waterworks (revenue)	154,000	0.71%
Sp Loan 89	Town of Holland Waterworks (revenue)	46,000	0.21%
Sp Loan 89	Town of Monroe Waterworks (revenue)	73,000	0.34%
Sp Loan 89	Town of Paoli Waterworks (revenue)	315,000	1.46%
Sp Loan 89	Town of Westport Waterworks (revenue)	433,000	2.01%
		$ 21,570,200	

* Payable from student fee and student union building revenues.

** Payable from tax increment revenues collected from the allocation area established therewith.

*** Payable from lease rental payments to be made by the Town of Akron, which lease rental payments are secured by ad valorem taxes collected by such Town.

**** See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2000A BONDS – Provisions for Payment of the Prior Qualified Obligations" for a discussion of the various sources of payment for Conservancy District obligations.

Appendix C

Form of Approving Bond Counsel Opinion

APPENDIX C

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds, Baker & Daniels, bond counsel,
will deliver an opinion substantially in the following form:

January 26, 2000

Indiana Bond Bank
Indianapolis, Indiana

Re: Indiana Bond Bank Special Program Refunding Bonds, Series 2000 A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Indiana Bond Bank (the "Issuer") of Thirty-Two Million Eight Hundred Sixty Thousand Dollars ($32,860,000) aggregate principal amount of the Indiana Bond Bank Special Program Refunding Bonds, Series 2000 A, originally dated January 15, 2000 (the "Bonds"). The Bonds are being issued pursuant to Indiana Code 5-1.5 (the "Act") and a Trust Indenture dated as of January 15, 2000 (the "Indenture"), between the Issuer and Bank One Trust Company, N.A., as trustee (the "Trustee").

We have examined the law, such certified proceedings, and such other certificates, instruments, and documents as we have deemed necessary or appropriate for purposes of rendering this opinion.

As to questions of fact material to our opinion, we have relied, without undertaking to verify the same by independent investigation, upon representations and certifications of public officials and others contained in the documents, instruments, and certified proceedings described above. Further, for purposes of this opinion we have assumed, without undertaking an independent investigation, continuing compliance to the date hereof by the Qualified Entities that issued the Prior Qualified Obligations (as such terms are defined in the Indenture) with all covenants made by such Qualified Entities respecting compliance with the Code (as hereinafter defined) in connection with the exclusion of interest on such Prior Qualified Obligations from gross income for federal income tax purposes.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Indenture constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer. The Indenture creates the valid pledge that it purports to create of the Funds and Accounts (as defined in the Indenture) thereunder and the Prior Qualified Obligations, subject to the application thereof to the purposes of and the conditions permitted by the Indenture.

2. The Bonds have been duly authorized, executed, and issued by the Issuer in accordance with the Act, and are valid and binding special obligations of the Issuer, payable solely from and secured solely by the sources provided therefor in the Indenture.

3. For so long as the Bonds are outstanding, the Issuer is authorized and under the Indenture has covenanted and is obligated to cause to be made by its Chairman, and delivered to the General Assembly of the State of Indiana, a certificate as provided for by the Act and the Indenture, stating the amount, if any, required to restore the

Debt Service Reserve Fund (as defined in the Indenture) to the amount of the Debt Service Reserve Requirement (as defined in the Indenture) established under the Act and the Indenture.

4. The Act does not bind or obligate the State of Indiana to appropriate and pay to the Issuer in any future year the amount duly certified to the General Assembly of the State of Indiana as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement, since the language of the Act in this regard is permissive only. However, there is no constitutional bar to future General Assemblies making such appropriations for such purposes if they elect to do so, and the Act does not create an indebtedness on the part of the State of Indiana or constitute a loan of the credit of the State of Indiana in violation of the provisions of Article X, Section 5, and Article XI, Section 12, respectively, of the constitution of the State of Indiana.

5. The interest on the Bonds is excludable pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), from gross income for federal income tax purposes and the Bonds are not "private activity bonds" under Section 141 of the Code; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer and the Qualified Entities that issued the Prior Qualified Obligations comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer and such Qualified Entities have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the interest on the Bonds to cease to be excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from taxation in the State of Indiana for all purposes except the Indiana financial institutions tax and the Indiana inheritance tax.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Appendix D

Summary of Certain Provisions of the Indenture

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain additional provisions of the Indenture not otherwise discussed in this Official Statement. This summary is qualified in its entirety by reference to the Indenture.

Accounts and Reports

The Bond Bank will keep proper and separate books of records and accounts in which complete and correct entries will be made of its transactions relating to the Funds and Accounts established by the Indenture. Such books, and all other books and papers of the Bond Bank, and all Funds and Accounts will at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of at least 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Before the twentieth day of each month, commencing August, 2000, the Trustee will provide the Bond Bank with a statement of the amounts on deposit in each Fund and Account as of the last day of the preceding month and the total deposits to and withdrawals from each Fund and Account during the preceding month.

Preservation of Tax Exemption for the Bonds

In order to assure the continuing excludability of interest on the Bonds from the gross income of the owners thereof for purposes of federal income taxation, the Bond Bank covenants and agrees to take all actions and not to fail to take any actions necessary in order to preserve and protect such excludability. Additionally, the Bond Bank covenants and agrees not to take any action or refrain from taking any action with respect to the investment of the proceeds of the Bonds or the investment or application of any payments under the Qualified Obligations or any other agreement or instrument entered into in connection therewith or with the issuance of the Bonds, including but not limited to any obligation to rebate certain funds to the United States of America, which would result in constituting any Bonds as "arbitrage bonds" or which would adversely affect the excludability from gross income of interest on the Bonds for purposes of federal income taxation. Pursuant to the Indenture, all of such covenants are based solely on current law as in existence and effect on the date of delivery of the Bonds. It will not constitute an Event of Default under the Indenture if the interest on the Bonds is not excludable from gross income for purposes of federal income taxation or otherwise by reason of any provision of the Code not in existence and effect on the date of issuance of the Bonds.

Covenants Concerning the Bonds

In order to provide for the payment of the principal of and interest on the Bonds and of Program Expenses, the Bond Bank will from time to time, and in a sound and economical manner in accordance with the Act, the Indenture and sound banking practices and principals (i) undertake all necessary actions to receive and collect Revenues (including the enforcement of the prompt collection of any arrears on all Qualified Obligation Payments), and (ii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Bond Bank to protect the rights of the Bond Bank with respect to the Qualified Obligations and to enforce all terms, covenants and conditions of the Qualified Obligations. Whenever necessary to provide for the payment of principal of and interest on the Bonds, the Bond Bank will also commence appropriate remedies with respect to any Qualified Obligations which is in default.

Covenants with Respect to Qualified Obligations

With respect to the Qualified Obligations, the Bond Bank covenants as follows:

(a) Not to permit or agree to any material change in any Qualified Obligation unless the Bond Bank first supplies the Trustee with a Cash Flow Certificate to the effect that, after such change, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

(b) To the extent that such action would not adversely affect the validity of the Qualified Obligation or other obligations of the Qualified Entity, or cause such Qualified Obligation to be considered debt of the Qualified Entity, the Bond Bank will instruct the Trustee to pursue the remedies set forth in the Act, particularly Indiana Code 5-1.5-8-5, for the collection of deficiencies in Qualified Obligation Payments on any Qualified Obligation by collection of such deficiencies out of certain State funds payable but not yet paid to a defaulting Qualified Entity.

(c) To enforce or authorize the enforcement of all remedies available to the Bond Bank under the Qualified Obligations, unless the Bond Bank provides the Trustee with a Cash Flow Certificate to the effect that, if such remedies are not enforced, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any, and the Trustee determines that failure to enforce such remedies will not adversely affect the interests of the Bondholders in any material way..

(d) Not to sell or dispose of the Qualified Obligations, unless it first provides the Trustee with a Cash Flow Certificate to the effect that, after such sale or disposition, Revenues expected to be received, together with moneys expected to be held in the Funds and Accounts, will at least equal debt service on all Outstanding Bonds along with Program Expenses, if any.

Certification Covenants

In the event that a deficiency in the Debt Service Reserve Fund is projected in the annual budget of the Bond Bank, the Chairman of the Board of Directors of the Bond Bank will certify such projected deficiency to the State General Assembly on or before August 1 of the Fiscal Year in which such deficiency is projected to occur. Further, regardless of whether any such deficiency was projected for its annual budget and regardless of the time at which such deficiency occurs or is projected to occur, the Bond Bank will take all actions required or allowed under the Act to certify any deficiency or projected deficiency in the Debt Service Reserve Fund to the State General Assembly.

Budgets

The Bond Bank will adopt and file with the Trustee and appropriate State officials under the Act an annual budget covering its fiscal operations for the succeeding Fiscal Year not later than June 30 of each year. The annual budget will be open to inspection by any Owner of Bonds. In the event the Bond Bank does not adopt an annual budget for the succeeding Fiscal Year on or before June 30, the budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for the succeeding Fiscal Year until the annual budget for such Fiscal Year has been duly adopted. The Bond Bank may at any time adopt an amended annual budget in the manner then provided in the Act.

Defeasance and Discharge of Lien of Indenture

If payment or provision for payment is made to the Trustee of the whole amount of principal of and interest due and to become due on all of the Bonds then Outstanding under the Indenture, and if the Trustee receives all payments due and to become due under the Indenture, then the Indenture may be discharged in accordance with its provisions. In the event of any early redemption of Bonds in accordance with their terms, the Trustee must receive irrevocable instructions from the Bond Bank, satisfactory to the Trustee, to call such Bonds for redemption at a specified date and pursuant to the Indenture. Outstanding Bonds will continue to be a limited obligation of the Bond Bank payable only out of the moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond will be deemed to be paid when payment of the principal of that Bond, plus interest to its due date, either (a) has been made or has been caused to be made in accordance with its terms, or (b) has been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (i) moneys sufficient to make such payment, (ii) noncallable or nonprepayable Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payments, or (iii) a combination of such moneys and Governmental Obligations, and all other sums payable under the Indenture, including the necessary and proper fees and expenses of the Trustee pertaining to the Bonds, have been paid or deposited with the Trustee.

Events of Default and Remedies

Any of the following events constitutes an "Event of Default" under the Indenture:

(a) The Bond Bank defaults in the due and punctual payment of the principal of or interest on any Bond;

(b) The Bond Bank defaults in carrying out any of its other covenants, agreements or conditions contained in the Indenture or in the Bonds, and fails to remedy such Event of Default within 60 days after receipt of notice, all accordance with the Indenture;

(c) Any warranty, representation or other statement by or on behalf of the Bond Bank contained in the Indenture, or in any instrument furnished in compliance with or in reference to the Indenture, is materially false or misleading when made, and there has been a failure to remedy such Event of Default within 60 days after receipt of notice, all in accordance with the Indenture;

(d) The Bond Bank fails to make remittances required by the Indenture to the Trustee within the time limits prescribed in the Indenture;

(e) A petition is filed against the Bond Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and is not dismissed within 60 days after such filing;

(f) The Bond Bank files a voluntary petition in bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The Bond Bank is generally not paying its debts as such debts become due, or becomes insolvent, bankrupt, or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bond Bank or any of its property is appointed by court order or takes possession and such order remains in effect or such possession continues for more than 60 days;

(h) The Bond Bank fails to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Requirement within 120 days after the end of the Fiscal Year during which a deficiency occurs; or

(i) The Bond Bank is rendered incapable of fulfilling its obligations under the Indenture for any reason.

Upon the occurrence and continuance of an Event of Default, the Trustee will notify the Owners of Outstanding Bonds of such Event of Default and will have the following rights and remedies:

(a) The Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest on Bonds outstanding under the Indenture, including any and all such actions arising under, or by reason of, the Qualified Obligations;

(b) The Trustee may by action at law or in equity require the Bond Bank to account as if it were the trustee of an express trust for the Owners of the Bonds, and may take such action with respect to the Qualified Obligations as the Trustee deems necessary, appropriate and in the best interest of the Bondholders.

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under the Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate under the Indenture and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(d) By notice to the Bond Bank and the Attorney General of the State, the Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with the provisions of the Indenture and the Act.

If an Event of Default has occurred, if requested to do so by the Owners of 25% or more in aggregate principal amount of the Bonds Outstanding under the Indenture, and if indemnified as provided in the Indenture, the Trustee will be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondholders.

The Owners of a majority in aggregate principal amount of the Bonds Outstanding under the Indenture will have the right, at any time during the continuance of an Event of Default, by a written instrument or instruments executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture. However, such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Waivers of Events of Default

At its discretion, the Trustee may waive any Event of Default and its consequences, and must do so upon the written request of the owners of (a) two-thirds in aggregate principal amount of all Bonds then Outstanding in the case of default in the payment of principal or interest on the Bonds or (b) a majority in aggregate principal amount of all Bonds then Outstanding in the case of any other default. However, there may not be waived (i) any Event of Default in the payment of the principal of any Bond then Outstanding under the Indenture at the specified date of maturity or (ii) any Event of Default in the payment when due of the interest on any Bond then Outstanding under the Indenture unless, prior to the waiver, all arrears of interest or principal due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with the Event of Default have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then the Bond Bank, the Trustee and the Bondholders will be restored to their former respective positions and right under the Indenture. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Rights and Remedies of Owners of Bonds

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of the Indenture or for the execution of any trust thereof or for any other remedy under the Indenture, unless (a) an Event of Default has occurred and the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name,

(b) such Owners of Bonds have offered to indemnify the Trustee, as provided in the Indenture, and (c) the Trustee has refused, or for 60 days after receipt of such request and offer of indemnification has failed, to exercise the remedies granted in the Indenture or to institute such action, suit or proceeding in its own name. All proceedings at law or in equity must be carried out as provided in the Indenture and for the equal benefit of the Owners of all Outstanding Bonds. However, nothing contained in the Indenture will affect or impair the right of any Owner of Bonds to enforce the payment of the principal of and interest on any Bond at and after its maturity, or the limited obligation of the Bond Bank to pay the principal of and interest on each of the Bonds to the respective owners of the Bonds at the time and place, from the source and in the manner expressed in the Bonds.

Supplemental Indentures

The Bond Bank and the Trustee may, without the consent of or notice to any of the owners of Bonds, enter into an indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) To cure any ambiguity, formal defect or omission in the Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the owners of Bonds then Outstanding any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, does not materially and adversely affect the interests of the Bondholders and does not otherwise require the unanimous consent of all Bondholders under the Indenture;

(c) To subject to the lien and pledge of the Indenture additional Revenues, properties or collateral;

(d) To modify, amend or supplement the Indenture or any supplemental indenture in order to permit qualification under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if the Bond Bank and the Trustee so determine, to add to the Indenture or to any supplemental indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or any other federal or state statute; provided that any supplemental indenture shall not be to the prejudice of any of the owners of the Bonds;

(e) To give evidence of the appointment of a separate or co-trustee, or the succession of a new Trustee, Bond Registrar or Paying Agent;

(f) To provide for the issuance of each Series of Bonds permitted by Section 2.05 of the Indenture, other than the Series 2000 A Bonds;

(g) To provide for the refunding of all or a portion of the Bonds; and

(h) To amend the Indenture to permit the Bond Bank to comply with any covenants contained in any Supplemental Indenture with respect to compliance with future federal or State tax laws.

With the exception of supplemental indentures for the purposes set forth in the preceding paragraph and subject to the terms of the Indenture, the owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding which are affected (other than Bonds held by the Bond Bank) will have the right from time to time to consent to and approve the execution by the Bond Bank and the Trustee of any supplemental indenture or indentures deemed necessary and desirable by the Bond Bank of Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. However, no supplemental indenture may permit or be construed as permitting, without the consent of the owners of all Bonds then Outstanding under the Indenture, (a) an extension of the stated date for maturity or redemption or a reduction in the principal amount of or redemption premium, or reduction in the rate or extension of the time of payment of the interest on, any Bonds, (b) the creation of any lien on the Trust Estate or any part thereof pledged under the Indenture prior to or on a parity with the lien of the Indenture other than a lien ratably securing all of the Bonds Outstanding under the Indenture, (c) a reduction in the aggregate principal amount of the Bonds the owners of which are required to consent to such supplemental indenture, (d) the creation of privilege, priority or preference of any Bond or Bonds over any other Bond or Bonds, or (e) any amendment or modification of the trusts, powers, rights, obligations, duties, remedies and immunities of the Trustee without the written consent of the Trustee.

Appendix E

Definitions

APPENDIX E

DEFINITIONS

The following are definitions of certain of the terms used in this Official Statement, including its Appendices:

"Accounts" means the accounts created pursuant to the Indenture.

"Act" means the provisions of Indiana Code 5-1.5, as from time to time amended.

"Authorized Officer" means the Chairman, Vice Chairman or Executive Director of the Bond Bank or such other person or persons who are duly authorized to act on behalf of the Bond Bank.

"Bond Bank" means the Indiana Bond Bank, established under the Act as a public body corporate and politic and an instrumentality, but not an agency, of the State, or any agency, board, body, commission, department or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Bond Bank by the Act shall be given by law.

"Bond Counsel" means Counsel that is nationally recognized in the area of municipal law and matters relating to the exclusion of interest on municipal bonds from gross income under federal tax law.

"Bondholder" or "holder of Bonds" or "owner of Bonds" or any similar term means the registered owner of any Bond, including the Bond Bank, and any purchaser of Bonds being held for resale, including the Bond Bank.

"Bond Issuance Expense Account" means the Account by that name created by the Indenture.

"Bonds" means, collectively, the Series 2000 A Bonds and any Refunding Bonds.

"Cash Flow Certificate" means a certificate prepared by an accountant or a firm of accountants in accordance with the Indenture concerning anticipated Revenues and payments.

"Code" means the Internal Revenue Code of 1986, as in effect on the date of issuance of any Series of Bonds, and the applicable judicial decisions or published rulings, or any applicable regulations promulgated or proposed thereunder or under the Internal Revenue Code of 1954 as in effect immediately prior to the enactment of the Tax Reform Act of 1986.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the Bond Bank and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, bond insurance, credit enhancement or liquidity facility fees, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee and Registrar, underwriters' discounts, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding and other costs, charges and fees in connection with the foregoing and any other costs of a similar nature authorized by the Act.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and approved by the Bond Bank.

"Debt Service Reserve Fund" means the Fund by that name created by the Indenture.

"Debt Service Reserve Requirement" means the amount on deposit in the Debt Service Reserve Fund, which initially shall be $10,370,000, which amount equals the maximum annual debt service of the Series 2000 A Bonds, and thereafter shall be the maximum annual debt service of Outstanding Bonds in the present or any succeeding bond year of the Bond Bank.

"Default" means an event or condition the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default under the Indenture.

"Depository Company" means The Depository Trust Company, New York, New York, and its successors and assigns, including any surviving, resulting or transferee corporation, or any successor corporation that may be appointed in a manner consistent with the Indenture and shall include any direct or indirect participants of The Depository Trust Company.

"Escrow Agreement" means the Escrow Agreement dated as of January 15, 2000, by and among the Bond Bank, the Escrow Trustee, and the Prior Trustees for the defeasance of the Prior Bonds.

"Escrow Trustee" means Bank One Trust Company, NA, as Escrow Trustee under the Escrow Agreement.

"Event of Default" means any occurrence or event specified in the Indenture.

"Fees and Charges" means fees and charges established by the Bond Bank from time to time pursuant to the Act which are payable by Qualified Entities.

"Fiscal Year" means the fiscal year of the Bond Bank which commences on the first day of July and terminates on the last day of June of the following calendar year.

"Funds" means the funds created pursuant to the Indenture, except the Rebate Fund.

"General Account" means the Account by that name created by the Indenture.

"General Fund" means the Fund by that name created by the Indenture.

"Governmental Obligations" means (i) direct obligations of the United States of America or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, including but not limited to securities evidencing ownership interests in such obligations or in specified portions thereof (which may consist of specific portions of the principal of or interest on such obligations) and (ii) obligations of any state of the United States of America or any political subdivision thereof, the full payment of principal of, premium, if any, and interest on which (a) are unconditionally guaranteed or insured by the United States of America, or (b) are provided for by an irrevocable deposit of securities described in clause (a) and are not subject to call or redemption by the issuer thereof prior to maturity or for which irrevocable instructions to redeem have been given.

"Indenture" means the Trust Indenture dated as of January 15, 2000, between the Bond Bank and the Trustee, and all supplements and amendments thereto entered into pursuant to the Indenture.

"Interest Payment Date" means any date on which interest is payable on the Bonds.

"Investment Agreement" means the Investment Agreement among the Bond Bank, the Trustee and Bayerische Landesbank Girozentrale, dated as of January 26, 2000.

"Investment Securities" means any of the following: (i) Governmental Obligations; (ii) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies: Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, Government National Mortgage

Association, Maritime Administration, Public Housing Authorities, Banks for Cooperatives, Farm Credit Banks; (iii) certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan associations and mutual savings banks, including the Trustee, each fully insured by the Federal Deposit Insurance Corporation; (iv) bankers' acceptances or certificates of deposit of commercial banks or savings and loan associations, including the Trustee, which mature not more than one year after the date of purchase; provided the banks or savings and loan associations (as opposed to their holding companies) are rated for unsecured debt at the time of purchase of the investments in the single highest full classification established by Standard & Poor's Ratings Group; (v) commercial paper rated at the time of purchase in the single highest full classification by Standard & Poor's Ratings Group and which matures not more than 270 days after the date of purchase; (vi) investment agreements rated at the time of purchase in one of the two highest full classifications by Standard & Poor's Ratings Group; (vii) repurchase agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii) or (iii) above; provided, underlying securities are required by the repurchase agreement to be continuously maintained at a market value not less than the amount so invested and (viii) shares of a money market mutual fund registered under the Investment Company Act of 1940, as amended, whose shares are registered under the Securities Act of 1933, as amended, or units of a common trust fund, which is rated by Standard & Poor's Ratings Group in the highest category assigned by such obligations of that nature and which invests its assets solely in obligations described in (i) and (vii) above.

"Notice Address" means with respect to the Bond Bank and the Trustee:

Bond Bank:	Executive Director Indiana Bond Bank 2980 Market Tower 10 West Market Street Indianapolis, Indiana 46204
Trustee:	Bank One Trust Company, N.A. Bank One Tower/Center Mail Suite IN1-0152 111 Monument Circle Indianapolis, Indiana 46277 Attention: Corporate Trust Department

"Opinion of Bond Counsel" means a written opinion of Bond Counsel which opinion is acceptable to the Bond Bank and the Trustee.

"Opinion of Counsel" means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in the Indenture) be Counsel to the Bond Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture or Bonds held for resale, including Bonds held by the Bond Bank, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds deemed paid under the Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under the Indenture or under any Supplemental Indenture.

"Paying Agent" means Bank One Trust Company, N.A., a national banking association organized and existing under the laws of the United States, or any other successor thereto under the Indenture.

"Principal Payment Date" means the maturity date of any Bond.

"Prior Indentures" means the indentures pursuant to which the Refunded Bonds were originally issued..

"Prior Qualified Obligations" means, collectively, the Qualified Obligations which have been acquired by the Bond Bank in connection with the Special Program pursuant to the Prior Indentures to be released from the lien of the Prior Trust Estate and to be subject to the lien of the Trust Estate, all as listed in Exhibit B to the Indenture.

"Prior Trust Estate" means, collectively, the Trust Estates or other security interest created and established by the Prior Indentures creating a security interest in, and a lien on, the Prior Qualified Obligations and the earnings thereon and all proceeds thereof.

"Prior Trustees" means, collectively, each of the trustees under the Prior Indentures.

"Program Expenses" means all of the Bond Bank's expenses in carrying out and administering the Special Refunding Program pursuant to the Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, credit enhancement fees, liquidity facility fees, legal, accounting, management, consulting and banking services and expenses, fees and expenses of the Trustee and the Registrar and Paying Agent, costs of verifications required under the Indenture, Costs of Issuance not paid from the proceeds of Bonds, travel, payments for pension, retirement, health and hospitalization, life and disability insurance benefits, any other costs permitted under the Act, and rebates, if any, which in the Opinion of Bond Counsel are required to be made under the Code in order to preserve or protect the exclusion from gross income for federal tax purposes of interest on the Bonds, all to the extent properly allocable to the Special Refunding Program.

"Purchase Contract" means the Contract of Purchase for the Series 2000 A Bonds between the Bond Bank and the Underwriters, dated January 19, 2000, the form of which was approved at the meeting of the Board of Directors of the Bond Bank on January 5, 2000.

"Qualified Entity" means an entity defined in IC 5-1.5-1-8, as amended from time to time.

"Qualified Obligation" means a security (as that term is defined in the Act), including the Prior Qualified Obligations, which has been acquired by the Bond Bank pursuant to the Indenture.

"Qualified Obligation Payment" means the amounts paid or required to be paid, from time to time, for principal and interest by a Qualified Entity to the Bond Bank on the Qualified Entity's Qualified Obligation and any Fees and Charges paid required by any Qualified Entity to the Bond Bank under the provisions of any agreement for the purchase and sale of such Qualified Obligations.

"Rebate Fund" means the Fund by that name created by the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding the month of such Interest Payment Date.

"Redemption Account" means the Account by that name created by the Indenture.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

"Refunded Bonds" means the bonds of the Bond Bank to be currently refunded pursuant to the Escrow Agreement.

"Refunding Bonds" means Bonds issued pursuant to the Indenture and any Supplemental Indenture.

"Refunding Qualified Obligation" means any Qualified Obligation issued to refund any of the Qualified Obligations or another Refunding Qualified Obligation.

"Registrar" means Bank One Trust Company, N.A., a national banking association organized and existing under the laws of the United States, or any successor thereto under the Indenture.

"Revenues" means the income, revenues and profits of the Funds and Accounts referred to in the granting clauses of the Indenture including, without limitation, all Qualified Obligation Payments, but excluding amounts required to be deposited and maintained in the Rebate Fund.

"Series 2000 A Bonds" means the Indiana Bond Bank Special Program Refunding Bonds, Series 2000 A authorized by the Indenture.

"Series of Bonds" means the Bonds authorized by the Indenture.

"Special Program" means the program pursuant to which the Bond Bank has purchased bonds, notes and other Obligations of Qualified Entities with funds consisting of its special obligation revenue bonds pursuant to the Act.

"Special Refunding Program" means the program for the refunding of certain of the special obligation revenue bonds of the Bond Bank issued in connection with the Special Program.

"Special Reserve Fund" means the Fund by that name created by the Indenture.

"State" means the State of Indiana.

"Supplemental Indenture" means an indenture supplemental to or amendatory of the Indenture, executed by the Bond Bank and the Trustee in accordance with the Indenture.

"Trustee" means Bank One Trust Company, N.A., a national banking association organized and existing under the laws of the United States, or any successor thereto under the Indenture.

"Trust Estate" means the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clauses.

"Underwriters" means, collectively, with regard to the Series 2000 A Bonds, Banc One Capital Markets, Inc., and First Union Securities, Inc., as co-managing senior underwriters.